

Interview with Ambassador Keith C. Smith

Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

AMBASSADOR KEITH C. SMITH

Interviewed by: Charles Stuart Kennedy

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Q: Today is February 5, 2004. This is an interview with Keith C. Smith.

This is being done on behalf of the Association for Diplomatic Studies and Training, and I'm Charles Stuart Kennedy.

Q: Let's start at the beginning. Tell me when and where you were born.

SMITH: I was born June 8, 1938 in San Fernando, California.

Q: Tell me a bit about your parent, first, the Smiths, on your father's side. Where do they come from?

SMITH: The Smiths come from England, but most my father's family is from Switzerland and Scotland. The Swiss were named Luthi, and they came from both German and the French regions. My Scottish ancestors were named Mac Neils. My mother's family comes from England and Scotland. Most of the family that came to the U.S. immigrated because they had converted to Mormonism. My parents grew up in Utah and Idaho. They moved from Utah to California before I was born. I was the third of six children. My father was a funeral director. He worked extremely hard all of his life in order to support a family of

Library of Congress

eight. When he retired, he was making less than \$10,000 a year, the most income that he ever made. Raising six children on a very small income was quite an accomplishment. Five of their six children completed college, with three of them earning graduate degrees. Only four of us are still alive.

Q: Was he (your father) able to get a college education?

SMITH: No. My father completed one year of college before the Depression hit. My mother was also in college in 1929. They both had to leave school in order to help support their families. My mother came back to Washington and worked in the Federal Government for several years before marrying my father. Before she married, she sent almost all her income home to her family in Idaho. Her family lived in a rural area in southern Idaho, just across the Utah border. She was one of nine children. My father was one of six and they lived in Logan, Utah, near the state's northern border.

Q: Were they Mormon too?

SMITH: Yes. In order to help support his family after his father was injured in a logging accident, he worked in a coal mine in Nevada. This was during the heart of the Depression. After my parents married, my father worked for about two years delivering milk. Following the arrival of their second child, they moved to California in order to find better paying work. In San Fernando, California, my father attended embalming school and worked as an ambulance attendant part time. It was the height of the Depression and California was flooded with people from other parts of the country looking for work. Nevertheless, on completing mortician school, my father was able to find a job with a funeral home in Los Angeles. About that time, I was born in San Fernando. Apparently, it was a farm community at the time. Shortly after my birth, we moved to Los Angeles where we lived for about three years. My father went to work with another firm and we moved to La Crescenta, California, a city directly north of Los Angeles. About a year later, my parents bought a home in a middle-class area of Pasadena.

Library of Congress

Q: When did you move to Pasadena?

SMITH: We moved there when I was four years old, so it would have been in 1942.

Q: '42. Did your father have a funeral home there?

SMITH: No, he worked for somebody else all of his life. He was deeply scarred by the Depression, and with a large family he was reluctant to strike out on his own. He was offered several opportunities to buy or invest over the years, but he could never bring himself to take the risk. He worked as a funeral director for a large Pasadena firm until at age 62, he had to retire because of heart trouble.

Q: How Mormon was your family?

SMITH: Very much so. Now I'm really the only immediate family member who is not a Mormon. I stopped believing in Mormonism when I was a late teen, even though I attended Brigham Young University BYU, a Mormon run university. While I was at BYU, I decided that the religion was not a belief system that I could accept. I stayed at BYU, however, because I had developed many good friends, found the area very congenial, and was able to self-finance my education through campus jobs and scholarships. I received a quite good general education at BYU, and it cost me only about \$1,000 a year as an undergraduate. It was a terrific bargain on a cost/benefit basis.

Q: What was your family life like and how does it reflect sort of the Mormon culture in Pasadena as you grew up?

SMITH: As a Mormon, one is immediately part of a mini-culture in which there was always a local church community. You immediately had friends from the church, so wherever we moved we immediately had a group of contemporaries who came from similar backgrounds. There was always a group of older people who kind of looked after you in many ways. The church kept young people active in many different organizations,

Library of Congress

and I benefited from many of them. For example, at the Mormon churches in Pasadena, many of the Scout and other youth leaders were professors at the California Institute of Technology. As a result, members of my Boy Scout troop were some of the first Americans to see an actual transistor and to hear about a possible space program. I think that these experiences awakened a curiosity in me about science and the wider world.

Q: Pasadena back in the '40s and '50s was a great kid's place wasn't it?

SMITH: It was a great place to grow up. We lived in our first house for about 4 years, but then moved several times after that. My youngest brother had to have a life-saving operation in about 1947. These were the days before comprehensive health insurance. He had to have a kidney removed and after the operation developed a blood clot and then they discovered a heart problem. As a result, my parents had to sell our house and move us into a dirt-covered basement belonging to another family.

Q: Good heavens.

SMITH: We lived in the basement for almost three years, although we cemented the floor after the first few months. After about three years, my parents were able to buy a house in a wonderful child-filled neighborhood of Altadena. This was just before I started junior high school. That would be the ninth grade. I remember they paid \$11,500 for the house. My parents then spent almost every night over the next two years renovating the inside of the house. I've taken pictures of that same house recently, and it still looks good to me.

Q: Were books part of your existence?

SMITH: Yes. I became a fairly bookish kid when I was in junior high and high school. Before walking home from school, I would often go to the library in Altadena. I started by reading adventure books, and I still enjoy books of that kind. I believe that I gained an interest in books from my family's emphasis on learning, and to some extent from the Church. There was some intellectual discussion back and forth, even though it was

Library of Congress

kind of one sided and not as open as I would have preferred. At least ideas were floated around that provided some intellectual stimulation to a young mind. In addition, my family members loved to argue. We would sit across the kitchen table and argue about everything that came up. I had many Jewish friends who grew up a similar situation, where a lot of one's family faith is questioned. It was a good learning experience for me. In fact, my family members still enjoy a good argument, although they have become less inclined to argue about religion or politics as they have become older.

Q: What schools did you go to in Pasadena?

SMITH: I attended Longfellow Elementary School, Elliott Junior High School and John Muir High School. By the time I was eighteen, however, I felt the need to go to a college that was some distance from home. I could have stayed in Pasadena and attended one of the good community colleges, but felt the need to put some distance between me and my home. I had not been the greatest student in high school, but the community schools were open to all and inexpensive. In high school, I had preferred to read rather than study. My grades were very uneven, to put the best gloss on it. I worked after school during my last two years of high school and this may have affected my grades somewhat. In any case, I found out I could go up to Utah to Brigham Young University for less than \$1,000 a year. I was able to finance this through summer jobs and on-campus work. I was a janitor for the first two years at BYU. With campus jobs and summer work in California, I could actually afford to buy an old car and attend a university. So I thought I was really living well. As a result of my poor study habits and having to support myself through part-time work, my first two years of college were not the smoothest.

Q: In Pasadena, I lived in south Pasadena, in San Marino. I'm actually 10 years older than you are, but I went to South Pasadena Junior High and Henry Huntington School. So I went to a whole series of elementary schools in Pasadena and South Pasadena. We moved around a lot. We were victims of the Depression I think. It affected so many people.

Library of Congress

SMITH: We also lived in South Pasadena for one year. I cannot remember the name of the street we lived on.

Q: My son lives by chance on San Gables street in Pasadena. But at home, did all your arguing cover foreign affairs...

SMITH: No. Foreign affairs rarely came up as an issue, except for the Korean War. I believe that my interest in foreign affairs developed from my reading adventure novels. I always had this idea that it would be great to just take off and travel around the world. Of course, I could never afford to do any traveling until much later in life.

Q: Did you read Richard Halliburton?

SMITH: Oh, yes.

Q: I think Richard Halliburton is probably the repertoire of a great many Foreign Service people mention.

SMITH: I read all kinds of things; everything I could get my hands on. For six years, throughout junior high and high school, I lived on a street with almost 50 kids. It was a great place. We played a lot of street sports after school. Afterward I would go and read a book. I was able to read a novel every night. Unfortunately, I didn't apply myself very well to my schoolwork.

Q: I would think that growing up as a Mormon, the religion is both all-encompassing, but for an inquiring mind you've got a problem of the lost 10th tribe or something, wandering around the United States and all. I mean, was this something you questioned?

SMITH: There were a lot of things I questioned, but I found that it worked both ways. It's true, that for an inquiring mind the religion set intellectual limits. At the same time, there is a whole series of questions you're supposed to ask, even though you usually get a

Library of Congress

rote answers. However, I find most religions are much the same. Some of the differences between Mormons and other religions are that they don't have as many internal factions. In Judaism you have orthodox, conservatives and the liberals. In Protestantism, there are the very conservative born again Christians all the way to the establishment-supported Episcopal Church. Some of the Protestant dominations are more open to differing ideas than others. Actually, I found Mormons very similar to other Christians, although other churches often don't see it that way. As a result of visiting many other churches when I was in high school, I could see the similarities and differences between Mormons and other Christians and the various Jewish groups. And even later at BYU, I looked into what other religions had to offer me. I found the differences were not as great as I had anticipated, particularly in terms of openness. There is always a set of principles you have to accept in any organized faith.

Q: Well Pasadena, while you were a kid there, I take it there probably weren't many African Americans at all.

SMITH: That's not true. When I attended John Muir High School, at least one fifth of the student body was African American. It was the highest percentage in any of the high schools in the San Gabriel Valley. Elliott Junior High was probably about 20% black.

Q: Because I remember when I was, again there is a 10 year gap. I didn't see many, I can't think of any African Americans. We had Japanese. This was before the war started. Many of them left and I don't know if they came back.

SMITH: That is because you spent your time in the white enclaves of San Marino or South Pasadena. Some Japanese did return, particularly to Altadena. In many cases, the fathers became gardeners to the relatively affluent. Their children, however, all attended college and did very well financially.

Q: The Japanese and the Oakies who composed Pasadena's poorer class.

Library of Congress

SMITH: It's possible that after the war a lot of blacks came to the Pasadena area from the South during the Depression. A lot of them did go to Chicago and the eastern cities, and I suspect that many blacks, like whites were attracted to California. But the blacks that I knew well had been born in Southern California. There was a whole area in the northwest side of Pasadena that had been black for a long time.

Q: It still is. Go up Fair Oaks.

SMITH: Yes, my wife and I were there this summer and the ethnic composition of the area looked much the same as it was when I was growing up.

Q: How did you find Brigham Young?

SMITH: I was an eighteen year old kid when I went off to school. I didn't see anything greatly different from my experiences compared to my high school friends who attended school in California. Actually, I found BYU quite challenging, even after I began to study harder and more effectively. I think that the first four years at BYU cost me a total of \$5,000. So it was very inexpensive because it was subsidized by the Church. And the life-style restrictions didn't bother me that much at the time. I was just too busy with school, work and a limited social life. When I was at BYU, one didn't have to go to church, nor did one have to be a practicing devout Mormon to remain in school. So I stayed around for another two years after graduating and went on for an MA; thanks to scholarships, campus jobs and a hard-working wife.

Q: What areas were you particularly interested in?

SMITH: I started off majoring in biology; thinking that perhaps I wanted to be a biologist or a medical doctor. I was interested in science. Later, during my sophomore year, I took a couple of classes in political science. I became intensely interested in the field and began to pursue a major in political science and economics. I stayed with it until I received

Library of Congress

a master's degree. Looking back, however, my favorite class in college was physical geology. I thought it was terrific.

Q: Oh yeah, it was fun. I mean, you can live with that for the rest of your life, looking at riverbanks and figuring out how things were made and all. I would assume that Brigham Young, particularly at that time, was quite conservative. I'm talking about politically.

SMITH: It was. And the president of Brigham Young University became a conservative political leader in the state. During my two years as a graduate student, I became President of the BYU Democratic club. It was an interesting time politically. On two occasions I had public debates with the president of the university. My wife's grandfather, however, was a Mormon Church leader and a strong Democrat and he encouraged me to stand up to the university president.

Q: You were at the university from when to when?

SMITH: I started in September 1956, received a BA degree in 1960 and an MA in August 1962. A month later I joined the Foreign Service.

Q: Did you find that politically there was something moving you a little more to the left than say the university?

SMITH: My father was a Democrat, as a result of the Depression. And yet, I'm not sure what moved me in that political direction. Democrats were not a rare or ostracized breed at BYU. In Altadena, where I spent my junior and senior high school years, my closest friend lived just up the street from me. His family was very liberal, and we used to talk about social issues around the kitchen table at his house. I had several friends who were even to the left of me. I thought I was fairly moderate. I don't know what my motivation was. Perhaps my rejection of my family's religion played a role, or it could have been my more liberal views that affected my religion views. You never know. I think a lot has to do with family alignment. If you feel close to your parents, you usually follow their politics. Most of

Library of Congress

my siblings turned out to be fairly conservative. Of the six, there were two of us who more to the center or center-left in politics. My youngest brother was an international lawyer and economist. He was the youngest and had a lot of experience living and working abroad. Unfortunately, he passed away several years ago. Most of my family were consistently conservative and still are.

Q: Something I've often wondered about, as one who has served abroad and who've seen missionaries. I would think there's no other community group which has a greater exposure to the international world, and yet I've never heard of anyone talking about how this has affected them. But I would think that the year or so abroad for young people would have a traumatic effect.

SMITH: Well you find an awful lot of former Mormon missionaries who later work in the CIA (Central Intelligence Agency) and some in the DIA (Defense Intelligence Agency). Brigham Young University supplied a fair number of Foreign Service Officers during the period I was there. In the A-100 classes before mine, there was someone from BYU. The class after mine also had a BYU graduate. I haven't paid a lot of attention to it, but there have been a fair number of Mormons who are engaged in international work. I was never a missionary, but some were, and they got caught up in international affairs. I have a step-son who was in the Peace Corps, although he was never a Mormon. Like missionaries, Peace Corps Volunteers always yearn to return to the country where they were missionaries or volunteers. There are many similarities with a high percentage of ex-missionaries and ex-volunteers staying involved in international affairs.

Q: Once it catches you it's like a disease. You graduated the year that the Kennedy/Nixon thing. Did you get caught up in that at all?

SMITH: No, I didn't. I remember watching the debates but was only moderately active in supporting Kennedy. I didn't have a lot of time for campaigning. I was working on a master's degree and trying to figure out what I was going to do with my future. I was

Library of Congress

married and had a child. By that time, I had started graduate school. I was in a kind of survival mode. By early 1962, I had two alternatives. One was to go to Harvard to work on a Ph.D. program, but without a scholarship. The other was to go into a PhD program at the University of Pennsylvania, but with a scholarship. I accepted the offer from the University of Pennsylvania, but in truth, I was really sick of school after six years straight years of it.

In late August of 1962, I went to California with my family to get ready to move out to Philadelphia. I received a call on a Saturday morning at my parents' house from somebody in the State Department asking, "Would you like to come into the State Department?" I had taken the Foreign Service exams several months before, but figured that the chances of being accepted were not good. In any case, I said yes to the Department's offer before even asking "when" or how much I would make. The person on the line suggested that I travel to Washington in three or four days, or a week at most. A week later, I started the A-100 Course. We lived in Arlington, Virginia, within walking distance of FSI (Foreign Service Institute).

In any case, that was the beginning of my long career. I had taken the Foreign Service exam in part, because I had a car. A friend of mine who did not have a car wanted to take the written exam. He talked me into driving with him up to Salt Lake. As it turned out, I passed the written exams and he didn't. Fortunately, I had an uncle in Salt Lake City who was a lawyer, and he and his wife had traveled abroad extensively. He kept encouraging me to pursue a Foreign Service career.

Q: When did you take the oral exam?

SMITH: It must have been the spring of '62.

Q: Did they come to Provo?

SMITH: No, I had to drive to Salt Lake City.

Library of Congress

Q: Salt Lake. Do you recall any of the questions or anything like that?

SMITH: You're asking about events that happened a long time ago. I remember that there were questions about world geography and there were some questions about economic issues. I remember being disappointed at how little they seemed interested in economics. I thought they underplayed the economic side and were too interested in geography. There were some questions that tested one's logic and ability to reason. One of them involved a string and geography, but I can't remember what it was about. It was too long ago. But I remember there was question about taking a ship through the Great Lakes in order to test my knowledge of the individual lakes. I was asked about the formation of Italy and Germany as nation states. I just do not remember a lot. I now work with young kids who have just passed the Foreign Service exam. They all ask me about the entrance exams. I can't tell them much. My assistant at CSIS just passed the orals. I had told her that whatever I was asked 40 years earlier would not be relevant today. She agreed with me after taking the exams.

Q: Backtrack just a touch. At Brigham Young when you went for a master's what was it in?

SMITH: It was in political science and economics.

Q: Any particular...

SMITH: I focused on international relations, but switched somewhat to public administration. Although I had originally intended to go into international relations, and had only had a vague idea of what the career opportunities were. I had a vague idea of teaching some day. I also became interested in public administration. This plan involved getting a Ph.D. in public administration and working in local government. Also, while I was in graduate school I saw an ad for a summer study tour in Russia. I wanted very much to go but couldn't afford it. But I really got excited about the prospect of going to Russia. I became interested in Cold War issues and also took classes in Chinese and Japanese

Library of Congress

history. One of my teachers in international affairs took me under his wing and encouraged me to stay with international relations. This professor remains a good friend. Nevertheless, I was very close to switching my major to public administration. The idea of being a city manager intrigued me.

Q: When did you get married?

SMITH: I got married in 1959. I was 21 years old and still in school.

Q: Still an undergraduate right?

SMITH: Yes.

Q: How'd you meet your wife?

SMITH: Actually, I met her in California at a Mormon Church. The Church was good at bringing young Mormon males and females together. After a two-year courtship (somewhat off and on), we were married in Los Angeles. A year later, we had a child. And then life became more difficult financially. I had to work more while attending school. That's why it took me two years to get a master's degree. My wife dropped out of school after we were married and took a job at a local bank. Fortunately, each of my successive campus jobs were a little better than the last.

After six long years in school, I came out here to Washington. Three months later our second child was born. A month later, we went "overseas."

Q: When did you come in to the Service?

SMITH: September 1962.

Q: '62. How did you find your A100 course?

Library of Congress

SMITH: It was a miserable course. It involved a series of people coming in and giving lectures on things that none of us could relate to. The only interesting parts were trips to New York City and Philadelphia. I'd never been to either city before. Basically, the A-100 course was two months of trying desperately to stay awake. Most of the A100 students found it more confusing than helpful. Each day was filled with speakers from various bureaus. We didn't know who they were or how the information was related to anything we would be doing. In addition, I was particularly naïve or uninformed about it the Foreign Service. The kids coming in today are much more career and "street smart." They are much more connected to the real world than were members of my A-100 class.

Q: There's been the problem of the so-called talking heads anyway. That as you say, if you can't relate, you don't know what this means.

SMITH: And it didn't mean much.

Q: Did you form any bonding or anything with your group or not?

SMITH: There are a couple of guys I've stayed in touch with. One particularly clever classmate, Harry Gilmore, retired just before I did. We have had a fair amount of contact over the years. I've see another classmate, Bob Morley, a couple times since I retired. He goes to meetings of a group of northern Virginia retirees. My A-100 class has never had a reunion, as far as I know.

Q: While you were in there (A-100), you must have reached a point where they say, "Ok fellas, where do you want to go?" Did you have any idea what you wanted to do?

SMITH: No, I had no idea, which was so stupid. I just said, send me wherever you want. So they assigned me to Nicaragua. I guess nobody else wanted to go to Nicaragua. At the time, my daughter who was the oldest child, suddenly became quite sick with multiple infections and had to be hospitalized. I didn't even own a car at the time. And then an FSO who had been assigned to Tijuana, Mexico went to Personnel and said, "I don't want to go

Library of Congress

there.” And Personnel said, “gee, well here we have this other guy who's got a child who's sick. We can send him to Tijuana. They'll have adequate medical care, and we'll send you to Nicaragua.” I guess at that point the other guy didn't dare argue. He went to Nicaragua and I ended up in Tijuana. I was there for one year.

I had the most horrible experience of my career with the consul general in Tijuana, but many wonderful times with the Mexican local employees.

Q: What happened?

SMITH: We had a consul general with a massive ego problem. I was at the post eight days before I was even introduced to him. The staff all joked about his delusions of grandeur. A lot of strange things happened during my 14 months in Tijuana. The consul general was a guy who insisted that every Saturday the duty officer cross the very busy Mexican border into California in order to get his personal mail. He insisted that when we delivered the mail to his house we should also bring the garbage cans from the curb into the house. On one occasion, he assembled all the staff to instruct us about how diplomats should behave when traveling; this from a man who had spent very little time overseas. For example, he claimed that the first requirement was to have very expensive looking luggage. Since this was my first real experience with a senior American diplomat, I seriously began to wonder about the mental state of Foreign Service Officers. There were some other mid-level “hard to place” individuals at the post, including one who was a difficult mental case. Fortunately, there was a good group of junior people both Americans and Mexicans.

The CG, however, was a constant problem. On one occasion, he decided to hold an Easter party for Mexican officials and he had decided that the most junior person in the embassy should dress up like an Easter bunny and give out Easter eggs. Of course, that was me!. Well, I refused to do it. His wife called our house and even offered to make me a costume. But I said I could not do it. And all the Mexican employees heard about the CG's request, and I had to endure a lot of ribbing about it. I insisted that wouldn't do it.

Library of Congress

Finally, the CG got on the phone and really harangued me. He was angry as hell. He then called the next most junior guy - who also turned him down. This junior FSO left the service within a year of his refusal. He was selected out, and to this day, blames me for his misfortune. In any case, the CG then that guy called the next most junior officer, who had already been warned not to answer his phone. And he kept going up the ladder until he found a Mexican-American FSO, who, to my surprise, agreed to do it.

There were a lot of nice young Americans at the post; some of them I've stayed in touch with. I found the local employees to be very nice, and the assignment did not turn out as badly as it could have. In any case, my daughter was very healthy in Tijuana, and I was only a three-hour drive from my parent's home. My friends in Pasadena would laugh at me saying, "You joined the Foreign Service and you're three hours away from home. "How can this be?" I did benefit, however, from being close to our families in the Pasadena area after being away at school for six years.

Finally there was an incident that indirectly saved my sinking career. The assistant secretary for administration sent a memo to all principal officers around the world saying that State wanted to build a more open management system. Washington encouraged all principal officers to solicit suggestions on post management from their staffs. And so the CG sent the notice out to all the people in the consulate. Only one na#ve FSO sat down and wrote suggestions for the CG. At the time, I thought they were all useful, positive ideas for improvement; dealing with issues from improving the morale of the FSNs, to how to make the consular section more efficient. Not surprisingly, the CG took my suggestions as a personal affront. A week later I got a call to come up to his office. After cooling my heels for some time, he called me in and showed me a pile of copied memos on his desk. This large pile of paper contained point by point rebuttals to all the suggestions that I had written. He said that he was not going to send them off to the assistant secretary, but that he wanted the staff at the consulate to read his rebuttals.

Library of Congress

I replied something to the effect that if his response represented Foreign Service mentality, I was not certain that this was the career for me. He readily agreed that it might not be the career for me. I told him he could do what he wanted with my suggestions, but that they were well-intentioned, and in any case, I would inform Washington about what the result were of this exercise in “openness” in Tijuana. The CG dismissed me, but obviously worried about the effect on his career if he was viewed in Washington as squashing alternative ideas. He was extremely ambitious, and probably thought that it would harm his chances of becoming an ambassador if they knew what had happened.

In any case, he did not send his memo around to others at the Consulate. However, a week later, the CG received a call from Washington reporting that he would have to give up one of his junior officers to be immediately transferred to Quito, Ecuador. Who would he recommend? So I was transferred from Tijuana to Quito within two weeks. This turned out to be a great career and personal move for me. I spent the next two and a half years in Quito, a fantastically interesting country. I worked for an ambassador who was secure personally, wanted people to tell him when they disagreed with him and was a terrific human being. In fact, he encouraged us to disagree with him. The two DCMs I served under in Quito were also impressive professionally and great to work with. The tour convinced me to stick with the Foreign Service. By the way, the CG in Tijuana was retired after his first “Foreign Service” assignment. He was never promoted.

Q: Before we get there, what type of work were you doing in Tijuana?

SMITH: I was doing rotational work, with most of the 15 month of my tour working in the consular section. I spent a lot of time interviewing potential Mexican immigrants and visitors. When I arrived in Tijuana, there was a backlog of 50,000 families that needed to be interviewed for immigrant status. All of us also spent considerable time on the protection and welfare of American citizens. I saw many sad, and some horrible things. I witnessed several deaths during my first few months in Tijuana. During my tour, I saw hundreds of people in jail; most of them clearly guilty of serious crimes. I had to deal

Library of Congress

with two American families that had driven down together to Tijuana for the day. Seven of the ten were killed in a car accident caused by a drunk driver. I was with the father of one family and the mother of the other when they died. It was a traumatic introduction to consular work. I watched a daughter, the same age as my own, die, simply from a lack of adequate medical care at the Tijuana Hospital.

Q: How did we treat prisoners in those days? American prisoners?

SMITH: We would visit American prisoners on a regular basis, both at the city jail and at the State Prison. As periodic duty officer, I had to go to the Tijuana jail, record the names of new prisoners, call their next of kin and usually ask the family or friend to send bail money. At that time, we didn't have to worry about a privacy act. Prisoners were generally treated ok, even though no Californian would believe it. Occasionally there were people who refused any help from the Consulate. One particular prisoner refused my offer of help one night. When I came back the next morning, he was dead. He apparently died during the night of pneumonia. I remember another case when I was called to the hospital and there was a young man who the doctors said had overdosed on drugs. They thought he was an American, but they could allegedly find no identification on him; no wallet or anything personal. There wasn't anything I could do to help. I didn't know who to call, nor was I sure he was an American.

I returned to the hospital the next morning to discover that the young man had died during the night. Suddenly a wallet appeared with his name and contact information, but no money. I felt angry and embarrassed. If we had the wallet the night before we could have gotten this guy into a U.S. hospital, where they would probably have saved his life. During the next few days, the Mexican police carried out an investigation in the hospital. I don't know what the outcome of the investigation was. As far as I know, the police never discovered who stole the wallet. Later, the family came to Tijuana and of course, they were angry about the whole thing. I remember feeling very bad for them. Their son died of a

Library of Congress

drug overdose, but he might have been saved if someone hadn't stolen his wallet the night before.

Q: So you went to Quito in Ecuador and you were there from when to when?

SMITH: I was in Quito from January 1965 to mid-1967.

Q: Who was the ambassador there?

SMITH: Wymberley Coerr was the ambassador. He was a very good diplomat; a great example of a career ambassador. And we had two excellent Deputy Chiefs of Mission (DCMs) during my tour in Quito, one of whom later became an ambassador and assistant secretary of state for inter-American affairs.

Q: What was the state of relations between the United States and Ecuador during this period?

SMITH: For most of my tour a military dictatorship ran the country. Weekly anti-government demonstrations usually turned violent and often resulted in attacks on the American Embassy. I had a dual position as executive assistant to the ambassador and political officer. I couldn't have asked for a better job. I worked for a wonderful ambassador, and the political section work was very interesting. My Spanish improved rapidly in Quito because I spent a lot of time in direct contact with Ecuadorians. I had many interesting experiences in Ecuador, thanks to the wide latitude I was given by the Ambassador and DCM. It was an exciting place at the time. I was able to travel a lot around the country by jeep. The people living in each mountain village had a distinct culture, although all were of the same Andean Indian background. We made a lot of good friends among the embassy staff. I did a considerable amount of reporting on political events, even though I was not a great writer. Fortunately, the DCMs were very patient editors.

Library of Congress

One year, I took a non-credit course in the Law Faculty at the National University. Being a “student” enabled me to closely observe the political turmoil at the university between the pro-Chinese communists and the pro-Cuban communists, and the fighting of both of those groups with the pro-Moscow wing of the student federation. The Embassy gave me carte blanche to have direct contact with students from all political groups, including extreme left-wing students. The class I audited in the law faculty at the university was taught by a professor whose son was a member of an anti-government guerrilla group. I met the son by chance one night when he visited his father.

I was encouraged to meet as many young Ecuadorians as possible. This threw me together with many left-wing individuals. I started working with a lot of the student leaders at the university, trying to convince them that the U.S. was not the evil empire that they had been taught. Studying at the university I often found out that the ambassador was being given false information on events by the CIA station chief, who had a large staff, few of whom ever left the embassy.

It was also a period when the U.S. had a large assistance program, called The Alliance for Progress. We had about 300 AID people in the country and there were 300 Peace Corps volunteers in the country, so Quito was a large embassy at the time. Even the military assistance and attach# offices were large. Part of my job was to do a management study of the whole U.S. mission; civilian and military. I became somewhat unpopular among a few groups as a result of my conclusions, particularly regarding the expenses of the defense attach#. When the ambassador found out that he was financing events for a defense attach# who had a representation fund twice as large as the whole State Department contingent, the attach# had to finance all of his own events. There were a lot of policy problems that we discovered during the investigation. A fair amount of money was being wasted by USAID. They had even brought Americans in to help on tax reform who had been convicted for tax evasion by the IRS. They were being paid salaries about

Library of Congress

50% more than the ambassador was earning. Some changes were made as a result of my study, but it was hard to reform the functions of USAID.

Q: Well, it sounds like you knew what you were doing.

SMITH: It was an incredible time for me. I was even able to spend considerable time with Peace Corps leaders and with some volunteers. It was really great to get in a jeep and drive through the countryside. There was a Peace Corps representative in Ecuador who was a first-tour FSO and on loan to the Peace Corps. We became good friends and traveled some together, although he had to be careful not to be identified too much with the embassy. After my experiences in Tijuana, I began to believe that Quito represented the real Foreign Service.

Q: I was in personnel at one point, not at this point but a little later, and you know, if you have mid-career sort of senior people, where the hell are you going to send them? Tijuana was probably the first name that came up, which is a bad show, but you have to try to bury these people somewhere.

SMITH: We had a lot of good junior officers in Tijuana, but the quality was poor in the mid and senior ranks there. There were one or two mid-level people who were very good and were in Tijuana because of family health reasons. At the senior level, there were some people who were obviously difficult to place. The Consul General was one of the most extreme cases I met in my long career. Fortunately, Tijuana was his last post. In fact, it was his first and last Foreign Service post. He had been a "Wristonee," a Washington-based civil servant who was converted into a Foreign Service Officer without proper screening.

Q: In Ecuador, if you were sort of working the left wing of the situation, did you find yourself at odds with others in the political section?

SMITH: No. I had solid support within the Embassy, particularly from the Ambassador and DCM. I don't think it wasn't a problem at all. The Ambassador would personally encourage

Library of Congress

me to go out and mix it up with the leftists. There was a lot of risk at times, some of which I didn't realize early enough. I was shot at a couple times when crossing the university grounds. I went to a meeting of the student union where people started shooting at each other across the room. I spent over an hour huddling on the floor of the conference hall. I had several experiences like that at the University. On another occasion, the Agency discovered a potential threat to my life. In any case, I found the work exciting, even though sometimes dangerous.

There was one particular close shave. I remember going to the University when we heard that the army had invaded the university campus. Legally, universities were supposed to be off limits to the military. The U.S. binational center was across the street from the Central University and I went up on the roof of the center to observe events, and later went on to the university grounds. Suddenly the Ecuadorian military started running across the campus shooting and bayoneting people. At that point, I ran for the binational center just as they were closing the front door. I ran through the center's front door just as a bullet struck a few inches from me. There were a lot of panicky Ecuadorian students in the center and worried parents outside the military perimeter. The bi-national center director finally talked me into going outside and trying to get safe conduct from the military for the students who were in there. When I went outside, a young Indian soldier ran up to me and stuck a bayonet in the direction of my chest. I could see that this guy was scared and excited and that scared me. I tried to tell him that I was an American diplomat. He had no idea what that was. Finally a military officer overheard us and came over. It was a lucky break for me.

There were at least two incidents when a local Catholic priest would convince an alleged repentant guerrilla to prove his conversion by informing the American Embassy about everything he knew about the movement. The CIA station chief convinced me to meet with one in the middle of the night. It was stupid, dangerous and bizarre behavior on the part of the CIA station chief. It was also incredibly naive of me to agree to do it.

Library of Congress

Q: Did you get a feeling at that time that the CIA, was operating free and loose.

SMITH: They certainly were in those years in Ecuador, and I suspect in many other countries. They had too many people in the country, and yet they did not seem to be that well informed about important events. Some of the information they passed on the Ambassador was totally wrong, and that is why I was encouraged to go out and see if what they were reporting was accurate. In the Political Section, we had a local employee who was a political assistant. The Ecuadorian defense minister was kind of keen on her. She was able to learn more about what was really going on within the military government than the Agency could. Simply by reading the local newspapers, she discovered that much of the Agency's reporting was wrong.

Q: I think this certainly was an era of anything goes. Did Vietnam play any role there?

SMITH: There were a few anti-war demonstrations, but Ecuador was a long distance from Vietnam, geographically and news wise. Ecuadorians were not well informed about events in Southeast Asia, although the war was used by the left in an attempt to discredit the U.S. During the first part of my Ecuador assignment, I generally accepted the U.S. Government's position on Vietnam. In about late 1966, or early 1967, however, I was reading some classified information about the Vietnam War that had originated at U.S. military headquarters in Vietnam (MACV). I remember that the information in the report was very different from what the administration was saying about North Vietnamese intervention in the South, and the number of North Vietnamese among the prisoners of war was lower than that being told to the press. So it was a period when I started questioning the honesty of the Johnson and Nixon Administrations.

Q: How was family life, living in Ecuador?

SMITH: We lived fairly well in Quito. We had good housing. The climate was terrific, and our Ecuadorian neighbors were very friendly. The schools for our children were ok. We

Library of Congress

didn't feel any great threat from terrorism, although there were bomb threats against American homes several times. I returned to Ecuador in late 2000. The city has grown and it's now a more insecure place; much more crime. There wasn't much of that in the mid-1960s.

Q: How about Cuba? Was Cuba a cause?

SMITH: Yes, support for Cuban policies was popular among university students. There was a pro-Cuban wing of the university student union. They were more willing to engage in violence and to take up arms against the government. Some in the pro-Cuban faction followed the urgings of Che Guevara and went into the countryside to do battle for, but not with, the Indian population. It was interesting for me to get out of the Embassy and have long conversations with students about political issues. Some of the left-wing kids were just anxious for somebody to listen to their views on social injustice. They wanted someone to show them a little recognition or take them seriously. In many cases, they were just angry with the political and economic system in Ecuador. I shared some of their frustration with the injustices in Ecuador, even if I disagreed with their methods of trying to correct the situation.

Q: What was your impression of the Ecuadorian university as a learning institution?

SMITH: The state-run universities in Ecuador were weak learning institutions. Many of the professors were poorly educated, poorly paid and those in the social sciences were too inclined to accept Marxist ideology. The situation was not helped by the fact that there were few jobs for university graduates. The first thing one did when coming out of the countryside to become a university student was to put on a white shirt. A white shirt was the symbol that you were now an intellectual and that you would no longer work with your hands. That was a sad part of Ecuadorian culture. About a dozen families controlled the country and the best jobs were reserved for family and close friends. We lived in a duplex, and the family next door came from one of the 12 families. They were very nice people,

Library of Congress

but had distain for the “indigenous” people. The husband became minister of the economy and then ambassador to the U.S. These people had grown up with what we would call a lack of social conscience. They had little sympathy for the long-suffering Indians, who constituted over 85% of the population. The wealthy were supported by the top officials of the country's Catholic Church. The priests in Ecuador were horrendously backwards and exploited the uneducated native population. The American priests who were brought by USAID to help run the Catholic university were as appalled as the rest of us at what the Ecuadorian priests were doing to the Indian population. Unfortunately, it was almost impossible to break that system. A few Ecuadorian priests became radicalized by the situation and ran off to join the guerrillas. Things have changed only marginally in the past 30 years.

Q: Did you find that the families that controlled the country had sort of enveloped the embassy at that time?

SMITH: At that time they didn't. We had an ambassador who would jump into a jeep and drive out into the countryside and talk to common people. He was very good at reaching out and he wanted the U.S. to succeed in raising the living standards of the rural population. He even learned some Quechua, the language of the Andean Indian. Most of my diplomatic colleagues desperately wanted Ecuador to modernize.

Q: What was your impression of the impact of the Peace Corps and AID programs.

SMITH: Unfortunately I don't think it left much impact at all. It's hard to say for sure. I've asked myself this question many times, especially since I worked in our eastern European assistance program in the early 1990s. I wish that I could say with some certainty that our help had a long term, beneficial effect. Without changes in the culture and the power structure in the country, however, you couldn't make as much of an impact as we had hoped. I mentioned earlier the Alliance for Progress. It was a serious effort to help reform Latin America. While we tried hard to bring positive change to the rural areas, including

Library of Congress

agricultural reform, I can't say that our short-term reforms brought permanent change. We had 300 people in USAID and the Peace Corps and most of them worked honestly and hard to help Ecuador. I don't know how many millions of dollars a year we spent trying to help the country. We obviously helped some people in the short run, but did we have a long term impact? That's the question I continually ask myself. .

Q: What about Guayaquil?

SMITH: Guayaquil was called by Ecuadorians, the "Pearl of the Pacific.". It was a different world from that in Quito. I found the people on the coast friendlier than those living higher in the Andes. Guayaquil was a very poor city. Much of it was under water a good part of the year creating enormous sanitation problems. We had a fairly large consulate in the city, and both USAID and military people worked out of there.

Q. We lost a good number of consular officers over the decades in Guayaquil; to fever and other problems, including Thomas Nast.

SMITH: I didn't know that.

Q: Yeah, he was consul in Guayaquil and died there of fever. He was a famous cartoonist. We haven't had many good cartoonists since. How about the Peruvian/Ecuadorian border conflict?

SMITH: That was always in the back of people's mind. The U.S. expended a lot of effort trying to prevent a border war. While I was in the region, there were only some small skirmishes. It really wasn't outright warfare. Ecuador's main problem at the time was its military dictatorship, and there was one military coup attempt after another. Conflict within the military kept them focused on things at home, with little energy left to focus on Peru. Finally the military junta was overthrown, only to be replaced by a temporary political leader who was no improvement. He was a civilian politician from the coast and he had no clue about economic development or how to build a real civil society. I went up to the

Library of Congress

university the night the interim president went to the university to speak to leftwing student groups. I'll always remember the event, because it was at night and the moment he raised his arm to start his long harangue, a sudden bolt of lightning came through the sky and hit nearby. It seemed symbolic of something, but I don't know what.

His speech was well received by the students, even though it was just one anti-American and anti-military cliché after another. Although I was an American, I pretended to be an ordinary student and no one harassed me at that time. A month or two later, I was transferred to the U.S. Soon after, the interim president decided he was going to show his nationalist credentials by expelling the American ambassador. And so, Wymberley Coerr, who was a terrific ambassador, was declared persona non grata. The pretext was a speech he had made in Guayaquil where he had talked in favor of the Alliance for Progress. That was enough to get him expelled. I still remember that when I went to National Airport to meet the ambassador on his return, I was the only State official there. I was only a junior desk officer. Nobody from the senior levels bothered to show real support for this guy after a long and distinguished career. I was not impressed with the political leadership in the Department.

Q: You left in '67 and came back what, to INR?

SMITH: Yes, I went to work in the Bureau of Intelligence and Research (INR). The reason I landed there was that the director of INR Latin American came through Quito a few months before I was due for transfer. He made a point of meeting with me, telling me that he had a great job for me in Washington. He made it sound really terrific. I didn't know anything about INR at the time. The ambassador came to me and recommended that I not take the INR job. He offered to secure me a more career enhancing position at State. I insisted that I wanted to work in INR. I still don't know if it was the right or wrong decision. Anyway, I returned to Washington and spent two years as the analyst dealing with Latin American communism, Cuba, Soviet and Chinese relations with the region. It was interesting, although not career enhancing. In any case, it was the most interesting

Library of Congress

job in the Latin American side of INR. It was useful and interesting to learn how the intelligence community worked. I attended many meetings at CIA, many of them in order to draft interagency National Intelligence Estimates (NIEs) and Special National Intelligence Estimates (SNIEs). The former estimated the likelihood of medium term threats and the latter dealt with immediate problems.

Q: You were in INR from '67 to '69. What was your impression of what you were getting from the other intelligence agencies as compared to the State Department?

SMITH: State's reporting was generally better than the other agencies, often because it came from open, rather than paid sources. It was always difficult to decide how much weight to give to intelligence estimates. I could cite many examples. I remember when working as an intelligence analyst, I had to take a turn as the morning Latin America briefer for Tom Hughes, who at that time was Director of INR. He was a brilliant, decent person and an excellent manager. My job that particular morning was to give him an analysis of all the intelligence information that had come in the night before from posts in Latin America. I told him that based on a joint CIA/DIA intelligence assessment, I could assure him that the political situation was fairly calm in Peru. We had been worried about the possibility of a military coup. I assured Hughes that morning that everything was calm, because the top Peruvian general was out of the country, and according to the CIA/DIA report, we did not expect military unrest in the general's absence. I remember that Hughes immediately broke into a smile and handed me a cable that had just arrived from the embassy in Lima. It reported that the Embassy's communications had just been cut off, and that tanks had been seen converging on government buildings.

I remember Hughes remarked about the fallacy of following the "common wisdom" of the intelligence community. I'll always remember that experience, and have thought about it many times since, especially regarding the fall of the Soviet Union, and more recently after the invasion of Iraq in 2003. There were a couple of other experiences in INR that stay in my mind. One was the capture of Che Guevara, that took place in Bolivia. I was briefed

Library of Congress

on how he was captured how he died. There were many aspects that did not become public until much later. Another interesting experience was the Soviet-led invasion of Czechoslovakia in August 1968. Before the invasion, we received information about the very dicey relationship between Cuba and the Soviet Union indicating that a more open US policy toward Cuba might have produced a break between Moscow and Havana.

Q: In 1968?

SMITH: The Cubans, surprisingly enough, had publicly supported the reformist Dubcek Government throughout the spring of 1968. Cuba's communist party newspaper kept publishing articles supporting the Dubcek Government and the concept of liberalized communism. It was a very interesting time. I believe that the United States missed an opportunity to move Castro away from the Soviets, but our continued economic blockade and implacable hostility to the Castro regime left the Cubans with little choice but to stick with Moscow. The night before the Soviet invasion of Czechoslovakia, the Russian ambassador spoke to Fidel Castro and put the question to him, "are you with us or are you against us? If you're with us, we'll continue to support you financially. If you're not, we're going to cut you off financially." And from that day on, Cuba became a very orthodox communist regime. One of the problems we confronted was that when President Nixon was elected, he brought in Bebe Rebozo as his informal Cuban advisor. This drinking and golfing partner was suddenly making policy on Cuba. It was so crazy. And all of the policy proposals of the intelligence community went out the window.

Q: How did you find the relationship between the INR and the bureaus, the desk?

SMITH: I don't remember there being any strong tension between us and the regional bureau.

Q: I was just wondering whether they used you or not.

Library of Congress

SMITH: I think they did. I didn't feel that we were ignored, and we always involved the bureaus in these intelligence assessments. I remember we would often insist on putting in dissenting footnotes into the joint agency intelligence assessment. Often INR and the Latin American Bureau would jointly disagree with the analysis of the CIA or DIA on a particular issue that would be in the National Intelligence Daily (NID) the next morning. In those days, the NID was widely distributed and comprehensive. We could all read the same thing the president was seeing every morning. Today's NID is much more restricted and the content of the widely distributed version is less revealing than the Washington Post. Intelligence information is much more restricted now than it was in the '60s and '70s.

Q: At this time did you feel part of the ARA, the Latin American team or something?

SMITH: I did in a way. At the time, I didn't know much about the workings of the various regional and functional bureaus. I also didn't know what I wanted to do career-wise. Although the job in INR was interesting and I received excellent efficient reports there, an INR posting was not a good career move - as I discovered later. The academic nature of INR, however, re-kindled a desire to return to school. And yet, by then we had a third child, and I really couldn't afford to pay for time off of work. The State Department, however, offered me a year of studies at a university. I tried to find a university program on Latin American affairs where it was cheap to live. I decided to take my family to the University of Texas in Austin for a year. The academic year turned out to be a nice break from the bureaucratic routine of the Department. In Austin, I would get up in the morning, put on my Levi's and tennis shoes, get on my bicycle and ride up to school. I did very well academically. I concentrated as much as I could on economic development problems of poor countries. It all looked nice on my record, but academic studies also did little to advance one's career. Back-to-back tours in INR and at the University of Texas resulted in slow promotion for the next couple of years. Yet, looking back, I think they were both useful. From INR I gained a much better understanding of intelligence work, and from the university year, a greater knowledge of and interest in economic development issues.

Library of Congress

Q: Were you feeling that particularly those people specializing in Latin American affairs in the State Department became almost a breed apart? They were somewhat, I don't want to say isolated, but once you got there, there were 21 or however many countries there are. And my colleagues who went there, they sort of disappeared into that black hole and I never heard of them again until much, much later.

SMITH: I didn't realize until much later in my career that much of the Department considered that concentrating on Latin America was the same as removing oneself from the real world of foreign policy. There is some truth to the charge, but it became somewhat exaggerated. I didn't feel that I knew enough about what was going on in the wider world, or in much of the State Department. INR's separation from the rest of the Department also left one a little isolated from the foreign policy implementation mechanism of the rest of the Department. I believe that the charge of isolation was somewhat overdone. I know that Henry Kissinger made a big thing about Latin Americanists being isolated, but he had never exhibited a great interest in events out of Europe or the Middle East. Kissinger's disinterest in Latin America was also well known.

I accepted one more tour in Latin America, before recognizing that if I didn't get out of the region, I'd never see another part of the world. The Latin American Bureau did hold too tightly to its people. In any case, I went to Caracas, Venezuela in mid-1970 as the junior political officer. The ambassador in Caracas had specifically asked for me. Having an ambassador personally request me was flattering - unfortunately. It turned out to be a big mistake to go back to Latin America, and especially to Caracas. It was a difficult city in which to live and work and the schools were far from where we lived. The management situation in the embassy was not good. I worked for the chief of the political section, who was very ambitious, although clearly talented. It always grated on me that he kept a framed photo of the ambassador right behind his desk. He went on to a very successful career, and became ambassador to Prague.

Library of Congress

Q: Who was that?

SMITH: Bill Luers. We quarreled many times, sometimes regarding the ambassador. For example, the ambassador publicly ridiculed my wife because she didn't drink alcohol. I was furious at the ambassador and let him and the political counselor know how I felt. The political counselor, who I believe recognized the poor behavior of the ambassador, could never bring himself to criticize the boss for anything, even for his repeated drunken behavior at official events.

Q: Your wife was a Mormon?

SMITH: Yes, she was. And the ambassador ridiculed her one night while he was drunk at a dinner party. He would get drunk almost every day. By 11 o'clock in the morning he had already had several drinks. He was really a nasty character with a massive ego. I was really disappointed at the servility of the political counselor, who I respected for his professional skills. Unfortunately, his servility paid off career-wise. I decided that I had to get out of there after two years.

Q: This was '67 to '69.

SMITH: No, 1970 to 1972. And at that point, I told Personnel that I wanted an assignment to another area of the world. My relationship with the ambassador and Bill Luers was not improving.

Q: Who was the ambassador?

SMITH: His name was Robert McClintock.

Q: Robert McClintock?

SMITH: Robert McClintock. He was in Caracas as a political ambassador. He had been a career ambassador in Lebanon. After retirement, he became a heavy contributor to

Library of Congress

the Republican Party and his reward was assignment to Caracas by President Nixon. In any case, before my two years in Caracas passed, I decided that I had to get out of Latin American affairs, or quit the Foreign Service. The Latin American Bureau wanted to send me to Santo Domingo, Dominican Republic. At the time, I thought that if I went to Santo Domingo I would never get out of Latin America. Naturally, I want to see more of the world. It was a major reason for joining the Foreign Service. The Department finally offered me a "hard to fill job." They offered me a year of Hungarian language training with and a follow up assignment in Budapest. I was desperate to get out of Caracas and of ARA. I remember thinking good lord, I don't know anything about Hungary, but if it gets me out of here I'll take it. So I came to Washington and spent one of the hardest years of my life learning Hungarian.

Q: Well I want to go back to the time in Caracas. What was the political situation like in Caracas?

SMITH: It was a nominal democracy with a Christian Democratic government representing the wealthier groups in the country. They were in power for the two years I was there. For about 25 years, one elite group following another elite into power. The two main parties were pretty corrupt by U.S. and European standards.

Q: Were these the reds and the blues?

SMITH: No, the Christian Democrats were backed by the Church and some wealthy industrialists. Rafael Caldera, the Christian Democrat who was president when I was there, later became president again. The opposition was the Political Action Party.

I enjoyed those occasions when I could get out and drive through the countryside. It seemed to re-energize me when I was able to meet with people out in the provinces. I made a fair number of trips up into the Andean area and one trip down toward the Brazilian and Guyana borders. One really needed constant breaks from life in Caracas. I did not particularly respect the Venezuelan politicians. One could invite a politician to lunch

Library of Congress

and suddenly discover that you were paying for a meal for him and his secretary/mistress. You would have to buy lunch for both and the politician would talk to her most of the time. The people that I liked the best in Caracas were immigrants, especially the Colombians, Germans, Italians and Chileans. I found the Colombians and Italians particularly friendly. Outside of Caracas, however, the Venezuelans were very warm and friendly.

Were drugs part of the situation?

SMITH: Not a big part of the situation in those days. At least, we didn't know about it. Much of our time was spent with oil policy, military assistance and countering left-wing influence in the government. Energy was certainly the top issue. Venezuela was a large oil producer and exported almost all of its production to the U.S. The Venezuelan Government always wanted to sign a long-term energy contract with the United States that would provide the country with guaranteed oil prices. The U.S. always refused, contending that the market should set the price. We resisted, in part, because we thought that there was plenty of oil in the world, and we didn't need to tie ourselves to the Venezuelans. That was the big issue. Trying to keep the military from going to war with Colombia was another issue.

Q: What was the issue between, just a normal border dispute?

SMITH: Yes. So many borders in Latin America are poorly demarked or have been contested for years. There was a border dispute with Colombia and with Guyana. The problem with Colombia was mainly in the Maracaibo area to the West. Also, much of Guyana was claimed by Venezuela. They weren't difficult issues, and the work in Caracas would have been more interesting if there had been a collegial, well-managed embassy. The FSNs were a good group. I've always been close to FSNs. I found that one of the great things about working in an American embassy is that you immediately have access to local people. It's something that embassies from other countries miss out on. We had a particularly capable group of FSNs in Caracas.

Library of Congress

Q: Were events in Chile at all the agenda? I know with Allende...

SMITH: It was about then that Allende was overthrown. Before I went to Caracas, there had been some discussion of sending me to Santiago. It would have been a great experience to have been down there during that period. In any case, the Venezuelans were more Caribbean oriented, and US. economic interests were more important in Venezuela than they were in Chile. Nevertheless, events in Chile were important politically in Latin America, with Allende being strongly supported by the left in Latin America and Europe. There was some left wing activity in Venezuela. On one occasion, we entertained a group of military visitors from the U.S. Following meetings in the embassy, we arranged to have lunch at a restaurant across the main street. I remember that the meetings went on longer than we had expected. As we were crossing the street to the restaurant, a small bomb went off under the table that we were supposed to have been at. It would have been pretty deadly if we had been there at the time.

The embassy always had an oversized armored car right out in front of the main chancery building. It was manned by national guardsmen, who patrolled the embassy grounds 24 hours a day. Occasionally, bombs would explode at American companies. A couple of bombs went off at the U.S.-Venezuelan Bi-national Center. I remember one policeman lost his arm trying to defuse one of the bombs. Another policeman died trying to dismantle a bomb at the same center. It was a fairly rough time, but the bombings were not directed against individual Americans.

Q: Were the Cubans active? Earlier on they had made a landing attempt or something. Was that still a sore point or not?

SMITH: The landing of weapons on the beach north of Caracas by the Cuban military occurred about five years before I arrived. There was not as much Cuban activity in Venezuela during the early 1970s. We also felt that the Caldera Government provided us with good security. Nevertheless, there was a feeling shared by the ambassador and

Library of Congress

some people in the State Department that the Christian Democrats were a little bit too far to the left. I always felt that corruption was more important than public statements about “socialism.” I also remember being concerned that the embassy was seen as being too close to Carlos Andres Perez, a former interior minister from Political Action Party. He was a very corrupt individual and was later indicted while being president for stealing several million dollars. This was not unusual for him, but he had gotten away with it in the past. I traveled to Caracas in 1989 with Senator Dole and some other senators. We met with Carlos Andres Perez. This was before he was indicted for a second time, this time successfully. Perez was a hard line anti-communists, and of course the U.S. government liked that aspect of him. But he was a pretty unsavory character.

Q: While you were there, were there any secretary or presidential visits or anything?

SMITH: No presidential visits. Nixon had been in Caracas a few years before and his motorcade had been stoned. It would be many years before another U.S. president visited Venezuela.

Q: There was a border dispute with Guyana? Did that play any role?

SMITH: Not much. Our job was just to keep the Venezuelan military from engaging in military action against the Guyanese. We threatened to cut off military assistance to Venezuela if they started a war with either Colombia or Guyana. I think that U.S. pressure was the only thing that kept the Venezuelan military from physically taking over most of Guyana. At the time, we had enough clout with the Venezuelans to hold the military back.

Q: How about the oil industry. Did that play a political role?

SMITH: The nationalization of the oil industry began when I was there. Part of my job involved visiting the parliament, and reporting on the debates about nationalizing U.S. companies. I also met with political groups, trying to discourage them from going down the nationalization route. I recognized that this would only provide a source of corrupt funding

Library of Congress

for the party in power and for the military establishment. Economic growth would suffer from state ownership, just as it had in Mexico. The U.S. wanted American companies to be able to maintain their existing stakes in the various oil fields. I believe that our policies at the time were correct. In any case, we were unable to prevent the nationalizations from taking place over the next several years. Energy company nationalization was a huge issue, but it wasn't one that was going to cause a rupture in relations between the two countries. I think we recognized there wasn't a lot we could do about it. In spite of the conspiracy theories of the anti-globalizers, we generally avoided interfering in the internal affairs of Latin American countries, at least during the 1970s.

Q: What about the oil workers. Were they a major force?

SMITH: In some parts of the country they were, such as around the oil fields in Lake Maracaibo, that was in the west of the country. There was also a lot of political unrest in agricultural areas that were dominated by a few wealthy families. Venezuela had a high proportion of impoverished, landless people in almost all regions of the country. There was a certain amount of guerrilla warfare going on in the interior. I remember traveling through the country with a guy who was also assigned to the embassy. He was black and owned a large, expensive car. Everywhere we went, Venezuelans would ask him whether he needed a receipt for his boss. Even though Venezuelans claimed that there was little racism in the country, they were very prejudiced, even within the black community. The society was stratified on race and the lighter blacks had an easier time than the darker blacks.

During that particular drive through the countryside, there were times when armed men would jump out in the road in front of us and force us to stop get out of the car. Fortunately, we only confronted undercover police, but one never knew who was pointing guns at you since both sides dressed as civilians.

Q: I'm told the interior really has some spectacular scenery.

Library of Congress

SMITH: The Andean area of Venezuela and the southeast was particularly beautiful. The country contains a lot of mineral wealth, including heavy oil from tar sands. Venezuela is a country with literally mountains of iron ore. And yet, the average Venezuelan remains very poor. The country has always been badly managed. In the past, much of the country's business profits ended up in Florida real estate or in New York banks. The idea of the common good was not as strong as the culture of helping your immediate family get wealthy. The work ethic was weak, because of poor incentives to work hard. If you didn't have the right connections, it didn't matter how hard you worked. The many European emigrants who came to Venezuela after the war did relatively well. Because they didn't have the "right" family or political connections, they had to work harder and smarter than the native Venezuelans.

Q: How about the army? Was this strictly in the province of our attach#s?

SMITH: Generally, but during my second year in Caracas, the Department opened a new political position that focused largely on political/military affairs. I had little to do with the subject in Caracas. We had a large military contingent in Venezuela, including a Navy plane assigned permanently to the attach# office. The plane was also used by the military assistance group and the CIA. I dealt more extensively with local trade union representatives and mid-level officials from the two largest political parties. I remember one time I talked the ambassador into having a group of trade union representatives over to his residence for lunch. Of course, these guys had no idea what to do when finger bowls were passed around with a flower petal in the middle. It was somewhat humorous to see these workers throw out the petals and drink the water. I thought that the ambassador should have been more sensitive to the background of the guests. He never again agreed to have trade union representatives to the residence after that.

Q: Well then you left there when?

Library of Congress

SMITH: I left Caracas in mid-1972, returning to Washington for a year of Hungarian language training.

Q: Had anybody told you about Hungarian?

SMITH: Not much. I'd only heard that it was a difficult language to learn. The next 44 weeks of intensive Hungarian turned out to be one of the most difficult periods in my life. The language is very complex grammatically and has little in common with most European languages, except Finnish. For the first couple of months, I was in a class with the person who had scored the highest that had ever been registered on the Department's Language Aptitude Test. In addition, he had just returned from a five year tour in Finland, where he had mastered the only language related to Hungarian. Fortunately, we became very good friends and our children were close.

Q: Who was that?

SMITH: He was with the CIA. He became the station chief for the next two years in Budapest. Several years after he retired, I read about some of his counter intelligence successes in a book concerning U.S. military personnel who had spied for the Soviet Union. In the language class, I was obviously holding him back, so they secured another teacher specifically for him. He was the only person to ever receive a 3/3 in Hungarian in 24 weeks. In any case, I journeyed through 44 weeks at a much slower pace. I think my teacher was charitable in giving me a three-three on the language test after 44 weeks. My Hungarian teacher was a wonderful woman, and she and her husband remained close friends for the next 30 years.

Q: Often, one picks up an awful lot about the country through the language course, from the teachers and all that. What were you getting about Hungary and the state of our relations and the state of Hungary before you went out there?

Library of Congress

SMITH: Not as much as I might have. My two language teachers had left Hungary in 1945 as political refugees, and the communist government made it difficult for them to return for visits. Many of their concepts about Hungary were outdated. Learning about Hungary was made more difficult by the fact that the communist government did everything it could to isolate American and other Western diplomats from average Hungarians. They were only partially successful.

Q: Keith, you were discussing 1973 in Hungary. Let's pick it up from there.

SMITH: I was sent to Hungary as the political officer after 10 months of language training. The Embassy was relatively small. We were about 25 Americans and about 50 Hungarian FSNs. A new ambassador had arrived shortly before I did. He was a civil service employee who had worked only at the UN. He was a decent person, but had never served overseas. As a result, he didn't have a good picture of what an embassy really should do. Fortunately, the DCM was an experienced professional. He ran the embassy and also provided policy direction. The embassy had some serious personnel problems over the next three years. Hungary, however, was a fascinating country in an interesting part of the world. It was a great experience for me. I think that the best career move that I ever made was leaving Latin America and going to Eastern Europe. Over 30 years later, I'm still working on Eastern European issues, although not as a diplomat. I'm grateful to have had the experience of living and working in Hungary in the mid-1970s. I believe that my children also benefited from living in Budapest.

Q: You were there from '73 to when?

SMITH: My first tour in Hungary was from 1973 to 1976. For the entire time I was the political officer.

Q: Let's talk first about relations with Hungary when you arrived there in '73 how stood they?

Library of Congress

SMITH: Our bilateral relationship after the failed revolution of '56 was not good. Also, back in 1956, Hungary's Cardinal Mindszenty had taken refuge in the Embassy. That put a lot of stress on the embassy operations and on our bilateral relations. Large, black cars owned by the secret police were kept in front of the embassy 24 hours a day to stop a possible Mindszenty escape. Inside the Embassy, Mindszenty took over the ambassador's office. The entire executive area became his private living quarters. The ambassador operated from the DCM's office. It had been really a rough time for those at the Embassy. While Mindszenty lived in the embassy, one of the embassy officers had to be with him 24 hours a day. After working hours, the embassy duty officer had to sleep overnight on the third floor of the embassy, in part to protect Menzenti from any attempt to kidnap him. About six months before I arrived, a deal was reached between the Hungarian Government and the Vatican, and Mindszenty was able to leave for Vienna, where he spent the rest of his life. His departure was a great relief for the embassy and bilateral relations were beginning to thaw somewhat by the time I arrived in 1973. In addition, in 1972, the Hungarian Communist Party initiated its New Economic Mechanism, that allowed for a semblance of a market economy to operate for small shopkeepers and some farmers. This policy was viewed by the U.S. as a positive step in the right direction. Unfortunately, these steps toward more open markets were not introduced in industry or large-scale agriculture. Nor, were other Warsaw Pact countries able to follow the Hungarian example. There was still too much fear in Moscow of people following the 1968 example of the Czech reformers.

Q: Was the crown of St. Stephens a motif or not?

SMITH: The Hungarian communists were not as anxious as they pretended to be to have the crown returned. The crown and regalia were symbols of nationalism that could have been used to stir up anti-communist feeling. The Kadar Government raised the issue only occasionally. One communist official confided to me that the crown was safer in Fort Knox than it would be in Hungary, where it could be spirited away to Moscow at any time by Russian troops. In any event, our bilateral relations could never have been characterized

Library of Congress

as “normal” during my three years. We did not consider the Hungarian people as sovereign as long as the country was occupied by Soviet troops and Moscow dictated Hungary's foreign and domestic policies.

During the 1970s, the Hungarian Government kept Americans living in Hungary isolated from communist party officials, to our constant frustration. Several “journalists” who worked for the secret police (AVH) pretended to give us inside information regarding Party officials and Soviet-Hungarian relations. In the process, they would assess the roles of each of us and our susceptibility to being compromised. Even my children were affected by the difficult political atmosphere. From our arrival, my children began playing with the neighborhood kids, learning enough Hungarian to communicate in simple terms. My children often invited the neighbor kids over to our home, where they would all play together. After a few months of “children's bilateral relations,” the local party official for the neighborhood decided that the Hungarian kids might become contaminated with Western ideas. The Hungarians were then prohibited from coming to our home, and in effect isolating our children from the neighbors. My two sons, however, sometimes played soccer with some students from a nearby medical school. Our children learned first hand about the pervasive power of an authoritarian system. At their school, however, our children enjoyed a rich association with children from many other, non-communist countries.

Q: Was there any hint of what later became sort of the Hungarian approach to breaking out of the Soviet Union, without anything particularly overt they moved away. This is years later, but was there any hint of that at that time?

SMITH: There were constant hints at lower levels that Hungarians wanted to go in a somewhat more independent direction than most other Warsaw Pact countries. Throughout the Cold War, Hungarians and Poles always felt closer to the West than many of their Warsaw Pact neighbors or those living within the Soviet Union. People who lived in Warsaw Pact countries, however, were never quite as tightly controlled as those living within the Soviet Union. Having lived in both Warsaw Pact and former republics of the

Library of Congress

Soviet Union, I have been able to see the wide variation in totalitarian controls that existed in the different parts of the Soviet empire.

Q: Do you want to repeat what you said about people who went to the Karl Marx School of Economics?

SMITH: Hungarian students who attended the Karl Marx School of Economics generally came out with a good understanding of the advantages of a market economy. Many of them were anxious for Hungary to loosen up the state's controls over the economy. Even in the early 1970s, there were many officials who wanted to see improved trade and political relations with the United States. They had to be cautious, however, because the Party leadership was controlled by believing Marxists, who were supported behind the scenes by Moscow. One was reminded daily of the limits on free speech in a Soviet-controlled country.

My first assignment in 1973 was to confer with Hungarians in the Foreign Ministry regarding the four-country Vietnam International Control Commission (ICC). Not surprising, the Hungarians usually interpreted their role as a neutral, impartial state in a manner supporting the Vietnamese communists. During the Vietnamese War, Hungarians and Poles had no choice but to follow the instructions of Moscow. Of course, we had to object to their alleged "neutral" behavior. I was often assigned to go to the Foreign Ministry and complain about their bias in favor of the North Vietnamese. They would then repeat their official position, with as much sincerity as possible. I could never understand why Henry Kissinger thought that his "peace deal" would result in anything but biased behavior on the part of the communist country representatives. In any case, my visits proved to be an opportunity to meet some very capable Hungarian diplomats. Within the next ten years, several of these people were able to tell me how much they hated this Moscow-directed charade.

Library of Congress

Dealing with the Hungarians turned out to be particularly interesting. I had come from Latin America, where I could go to the foreign ministry and adequately make the U.S. case without engaging in a lot of prior preparation. This was not the case in Hungary. I remember the first time I went to the Foreign Ministry to present the U.S. position on some ICC issue, and I was embarrassed because my Hungarian interlocutor obviously knew much more than I did about the subject. He didn't consciously try to make me look like a fool, but I must say I felt like one when our meeting was over. It was obvious that one shouldn't go to the Hungarian foreign ministry without doing a lot of advance homework. Working in communist Hungary was not for the intellectually lazy. It was a much more sophisticated world than I had experienced in Latin America.

The sophistication of the Hungarian people was also something that I admired. The cultural and education levels were higher than in the U.S., in part because culture and education provided people with an outlet that they couldn't find in politics and business. Working there was always a challenge. At the same time, there were a lot of difficult issues to cover. The Hungarian Interior Ministry and its secret police did its best not only to keep us isolated, but they engaged in low to mid-level harassment on a continuing basis. Of course, our homes and much of the Embassy was penetrated electronically. If we hired anybody to work at our house, or to clean or watch the kids, we had to hire them through the Diplomatic Service Directorate, which was an arm of the secret police. The same held true for all Hungarians working in the Embassy. In effect, we were forced to pay for the very people who were assigned to spy against us. Some of these people were pretty decent and they expressed the hope that we understood the role that had been forced on them.

The AVH could be rough on Hungarians working for the Embassy. There were some very sad experiences in the mid-1970s. We had one FSN who defected to the West. He had worked for the Administrative Section, and as such, he had to go to Vienna on a regular basis to secure supplies for the Embassy. During one trip to the West, he decided to

Library of Congress

ask for asylum in Germany. He went to the U.S. Embassy in Bonn and talked to officials about being granted asylum. Unfortunately for him, the AVH somehow found out about it, sent agents to Germany and kidnapped him. They put him in the trunk of a Hungarian diplomatic car and brought him back over the German and Austrian borders. He was sentenced to seven years in prison.

We had an attractive FSN working in the Embassy library, who was under a lot of AVH pressure to try and sexually compromise one of the young diplomats or Marine Guards. She came to me one day and explained this to me. I'm still not sure I gave her the best advice. I suggested that she resign and look for another kind of job. She did. Within a few months, the AVH sent two thugs to her apartment and raped her until she agreed to cooperate with them. This is the kind of thing that the KGB-backed secret police did all over Eastern Europe in those days. And almost none of these thugs have ever been held accountable for their crimes. It is an outrage that there has been little post-Cold War information in the West regarding crimes committed against ordinary people by the communist intelligence services. Western Europeans are particularly anxious to forget this criminality.

I used to hear about the secret police in Vladimir Putin's Leningrad (St. Petersburg). The secret police operating out of Leningrad were well-known as the most thuggish of the KGB officers. While they were well-educated on the whole, they were implicated in a lot of horrible behavior. In 1980, I saw some their behavior firsthand. In any case, the Hungarian Foreign Ministry officials were generally professional and cultured. Although Hungarians were allowed by the Interior Minister to accept invitations to my house for dinner and a movie, they had to submit a detailed report on the event, including the theme of the movie, by noon the next day. At the Embassy, we received 16 mm films through the U.S. military. Educated Hungarians were very anxious to see Western films. In order to invite officials, however, I would have to send a list of potential invitees to the Foreign Ministry and include the name of the film. The Interior Ministry would then decide who could attend.

Library of Congress

Of course, private Hungarians were too frightened to accept an invitation, and we went out of our way not to endanger them.

The U.S. Government owned a large piece of property in the Buda Hills, where we had a modest American clubhouse. Diplomats from all the Western embassies would go there on weekends for tennis and socializing. It was one of the few places that Greeks and Turks mixed, or that Egyptians ate hamburgers with Swedes. We made friends from a wide range of countries.

Q: Let's talk a bit about the ambassador. You say his background was at the UN?

SMITH: He was a U.S. Civil Service Employee, with about 20 years experience at the UN.

Q: Did you get a feel for the motivation of sending somebody with that background there?

SMITH: He was sent out by Secretary Rogers, but I don't remember any more than that. I suspect that the Department wanted to replace him at the U.N. He did not turn out to be a successful ambassador. He even had some serious personal problems while in Budapest. I don't want to expand on this. He was also quite na#ve in dealing with the Hungarian communists. Maybe we were fortunate that he spent considerable time in the embassy trying to decide on administrative issues, such as the color of the paint to be used in embassy offices. At least he was a nice, decent guy; just ineffective. After a year he was fired by then Secretary Kissinger and he went off to become a university president. At that point, Clayton Mudd, the DCM, became charg# d'affaires for almost a year, before a replacement was sent. The DCM at least knew the region quite well and he had no illusions about the limits of our relations with a communist government. During WWII, he had been an OSS undercover agent in Yugoslavia and, therefore, spoke very good Serbo-Croatian, although his Hungarian was not as good. Clayton had to deal with a lot of internal embassy problems. We had one administrative officer after another. It was a difficult time to be Charg#.

Library of Congress

Q: It just was competence?

SMITH: There were a wide range of personnel problems. It wasn't an easy work atmosphere for the admin officers, and one after another found a reason to curtail his tour. During my last year, we received an ambassador who had most recently been DCM at NATO. His name was William McCullough. He was a kind of hard bitten, WWII veteran, who first came across as a cold person. After a couple of months, I came to like and respect him. It was good to have an ambassador who was more concerned about U.S. policy objectives in Hungary than in being liked by Hungarian officials. He was a competent professional. Unfortunately, after only one year in Budapest, he was named Deputy Secretary of Defense, and the Embassy was without an ambassador again until after I left in the summer of 1979.

Q: McCullough later became ambassador to NATO?

SMITH: Yes, he later did become ambassador to NATO. I think it was Donald Rumsfeld who had arranged for McCullough to return to Washington to become assistant secretary of defense in late 1975.

Q: You mention long term objectives. What were you doing? Were you marking time, or were you preparing for something? What could we do?

SMITH: My job was to report on Hungarian political and economic developments. The Economic Officer dealt primarily with commercial issues, so I covered many economic issues. We looked at the comings and goings of foreign communist officials, in order to try and spot patterns or changes. I attempted to assess whether there was any split developing between Budapest and Moscow on domestic or international issues. It was interesting to watch the Moscow-Belgrade relationship for clues, and I became friends with two diplomats from the Yugoslav Embassy. Hungary's Communist Party leader, Janos Kadar was an interesting person. One minute he would talk about Hungary opening up

Library of Congress

to the West, and the next day, he would take some hard-line action against liberalizers. Maybe he had to balance reform with repression for the sake of good relations with Moscow. At times, it looked like Hungary was becoming less open to the West. I had never worked in such a closed, secretive atmosphere. We were always trying to analyze shadows, much as Socrates in his Republic. We attempted to look at the longer term; analyzing economic trends in the hope that Hungary might move more toward the West in its domestic policies.

At the same time we had serious arguments with the Hungarian Government regarding property in Budapest that the U.S. had bought in 1946-47, from people desperate to get out of the country. The U.S. even owned property occupied by the secret police. Ambassador McCullough made a priority of achieving a property settlement with the Hungarian authorities. His goal was to use revenue from the sale to secure better housing for the embassy staff. He didn't succeed during his short tenure, but at least he convinced people on both sides to think seriously about the need for a resolution. We did manage a settlement seven years later, during my next tour.

Overall, our political goal was to bring a little more daylight between the policies of Moscow and Budapest. I'm not sure we were that successful, although the entire Western diplomatic corps was trying to do the same thing. The British were very active in Hungary at the time, and I worked closely with them on almost every issue.

The Hungarians, meanwhile, were engaged in major espionage against us. We found numerous electronic devices in the embassy and in our homes. One had to assume that every conversation (outside the Embassy's secure room) was listened to by the AVH. I had one particularly amusing experience. One morning, I called my wife at our home in Buda across the Danube River from the embassy in Pest. About an hour later, I picked up the same phone to call someone within the Embassy. Before I could dial, I heard some people talking. I listened a minute, and realized that I was listening to my wife and daughter talking in our bedroom over in Buda. Apparently, the person from the Interior

Library of Congress

Ministry who was charged with listening to my earlier conversation had forgotten to turn off the telephone line. I had many similar experiences. The secret police followed me everywhere I went in the country. I would tell Hungarians that they obviously had a full and rich economy, because the government seemed to have as many as six or seven people in various guises following me around at one time. In the 1970s, it was still fairly easy to spot the surveillance.

In 1975, I came down with a bad case of “flu” symptoms, and after a couple of months they discovered that my white blood count was very low. It was to remain so for the rest of my life. During my tour in Hungary, the AVH (like the KGB) used microwave radiation equipment to pick up conversations at U.S. embassies. The window in my office at the embassy opened into a courtyard that we were sure was being used by the AVH for microwave detection. Unfortunately, the Department claimed that there was no connection between a life change in my white blood count and the microwave radiation used from the neighboring offices, even though radiation overdose is a common cause of leucopenia. I think that the Department was only trying to avoid incurring any financial obligation.

Q: Did they go to the extent that the Soviets did? Not just you, but others of similar provocations trying to pass documents that they could arrest you with. I guess what they call them honey traps?

SMITH: I'll just say that it was tried on me, including once in Moscow's Red Square. Also, we had a couple of very cute girls who worked in the embassy who were always trying to seduce one of the Marine guards. We had to quickly transfer at least two Marines, who did succumb. Some of our Hungarian employees were doing illegal stuff in the embassy itself. We had an electrician and cook who were making false driver's licenses in the Embassy basement. These people had been hired through the Ministry of Interior's Diplomatic Service Bureau, allegedly to make sure that we received only honest workers.

Library of Congress

Q: Looking at the political system, were you indulging in what amounts to criminology, or was it a different thing?

SMITH: I wouldn't use the term criminology, but it was more like a geologist looking at seismic data. During my first tour in Budapest, I didn't think that I had been adequately prepared for the work. In addition to language training, it would have been useful to talk extensively before going out with more experienced people, who had served in Eastern Europe. A two-week area course at FSI was no preparation for the kind of intense political atmosphere we faced in Budapest, nor was serving in Latin America any preparation for effective work in communist Eastern Europe.

Q: You weren't sort of learning under somebody, like the number two in the political section.

SMITH: No, I was the only political officer there. The DCM wasn't into a lot of mentoring. He was a nice guy, mainly interested in managing the Embassy, keeping relations from deteriorating and playing tennis and bridge. There wasn't anybody to really turn to for "how to" instruction. I found it a difficult situation during my first year. My counterpart in the British Embassy had already been there for two years when I arrived, and he was often helpful with useful advice. He was quite knowledgeable about Eastern Europe and I trusted him. There were some other junior officers who I could consult with. The Economic Officer, was Donald Kursch, and we often talked about policy issues. He first went to Budapest as the consul, and then became the economic officer. He had already acquired significant experience in Budapest by the time I arrived. I picked up a lot of information from other diplomats on weekends at the American Club. Some of these diplomats were quite savvy. The Egyptians and other diplomats from non-NATO countries also had better access to the Hungarian Government. They were often very open with us about their observations.

Library of Congress

Q: The Yugoslavs and those played this sort of ambivalent role. In China, they were some of our principal contacts when we were finding out what was happening. But this was telling on the neighbor. Were they..

SMITH: My contacts with the Yugoslavs were at a lower level, because Clayton Mudd had been in Yugoslavia, and he had good ties with their ambassador. Some people who I became acquainted with on my first tour in Hungary became good contacts during my second tour. For instance, my Romanian counter part, knew that he was hated by the Hungarians on ethnic and historical grounds. So this young Romanian diplomat and I became quite good friends. He knew the kind of "communist speak" of the press. He would read an article with me over lunch and then tell me the significance of what was not written, as well as what was in print. Being raised in the communist system gave him an analytical advantage in figuring out events in Hungary. He and I engaged in the same conversations in the 1980s. He was the Romanian DCM at the time.

Q: What about the artistic cultural community, the intelligentsia. Did they play a role in society, and did we have any contact with them?

SMITH: The Hungarian authorities didn't allow us to have that much contact with them. During my second tour, I had many friends in the cultural/academic community. During the '73-'76 period, the only "officials" we could deal with were the so-called journalists. There was one journalist who was an alcoholic. I would take him out, buy him a few drinks and he some times opened up about domestic issues. I never really trusted the information, although it usually sounded plausible. I don't know what he really was, but it seemed like interesting stuff and I'd report it. But we were pretty well isolated. The authorities did not allow us to go into communist party headquarters, which was only a few blocks from the embassy. We couldn't pay an official visit on any person who was a communist party functionary. It wasn't a U.S. restriction, it was a Hungarian restriction. We could visit those

Library of Congress

who had dual Party/government roles, but only at their government offices. Even those Hungarians had to be very careful with what they said.

They knew that even their conversations were recorded, sometimes from a distance. There was one Hungarian diplomat who I really liked and respected. He was a UN expert and had been in the ICC staff in Vietnam for a while. About a year after I left Hungary, I met him at the UN Headquarters in New York when I was up there for some function. He took me to lunch and opened up about how embarrassing it had been for him in Hungary when he had to repeat Moscow's official line.

Q: Did you travel much?

SMITH: Yes.

Q: But would you try calling the mayor of the city or something like that?

SMITH: Yes. I could call on the mayor of any city, as long as it had been set up in advance through the Foreign Ministry. But they were always formal, cautious meetings. Only rarely would I learn anything important. We traveled to show the flag. Occasionally some brave soul with slip us interesting pieces of information.

Q: What about the Soviet presence in the period from , '73 to '76?

SMITH: The Soviet presence was everywhere in the mid-1970s. The Soviet Embassy occupied a huge compound right off the main boulevard. The street in front of the Soviet Embassy had been changed from that of a national hero to People's Freedom Street. The Soviet compound contained large schools, stores and recreation facilities. And they obviously called made all the major decisions concerning politics. There were about 80,000 Soviet troops in relatively small Hungary. We would see military trucks, tanks and armored vehicles all over the country. We had a very good military attach#, who was always in trouble with the authorities, due to his aggressive intelligence work. He was

Library of Congress

several times held in his car at gun point in order to keep him from observing military maneuvers. I developed trouble with the authorities, because I once traveled to Vienna with the attach#. Coming back, he decided to drive through a Soviet tank area. Afterwards, it appeared as if their intelligence people assumed that I was CIA, to the delight of the CIA Station. Our attach#, however, was a highly decorated officer from the Korean War. Unfortunately, his career was ruined after his daughter, using his diplomatic car, smuggled a Hungarian military officer's son out to the west. To make it worse, the boy became homesick after a couple weeks, returned home and explained how he had gotten out.

Q: Did you get any feel about the relations between the Soviets and the Hungarians?

SMITH: It didn't take long to understand that Hungarians did not like the Soviets. Even convinced communists bridled at the country's limited sovereignty. Although no Hungarian would allow himself to be overheard saying anything negative about the USSR, they developed a kind of "doublespeak" to express their unhappiness with the situation. The "right thing" could be said with the wrong intonation or facial expression. In front of every Russian, however, they had to appear credibly friendly and fraternal. While all officials had to speak good Russian, the average student came out of eight years of Russian language study with little ability in the language. No, they didn't like the Russians.

Q: Correct me if I'm wrong, but it wasn't quite the visceral dislike that you had between the Poles and the Soviets.

SMITH: Not so much. I think there was a much more visceral dislike by the Poles than the Hungarians. The horrible destruction and human cost of the 1956 revolution led Hungarians to lose faith in their ability to overcome the Soviet occupation. Poles are more romantics, whereas Hungarians are cynics.

Q: How did we read with Janos Kadar?

Library of Congress

SMITH: We felt that Kadar knew very well the temperature of Moscow; what was acceptable, or how far he could go on reform. During my first year, the Hungarian Prime Minister was suddenly forced to “retire for health reasons” because of his support for faster economic reform. Nevertheless, we spotted him on the tennis court the day after his “retirement.” Kadar did try to give Hungarians some feeling that the society was not as oppressive as it had been before in '56. I think he always carried with him a certain degree of shame over his role during and immediately after the '56 revolution. He came to power on the back of a Soviet tank after the assassination of Imre Nagy. Many friends of Kadar's were executed. He was kind of an enigma. He had come out of the old communist party; the clandestine communist party in fact, and he had spent a lot of time in Moscow. He really believed in Marxism-Leninism and the leading role of the Soviets. He was clearly a believer. We had almost no contact with Kadar even though he held a position on the government's council of ministers. During my second tour, the ambassador and I had periodic contact with Kadar. Some of these were strange meetings, but that's another story. Actually, I was glad to leave Hungary in July 1976. After a while, the whole atmosphere became too oppressive. While interesting at first, it was nerve wracking being followed everywhere you went and having most of your conversations listened to. If we wanted fresh milk or a banana or a medical appointment, we had to drive to Austria. Yes, I was more than ready to leave after three years.

Q: I'm sure you were. Did you get any feel for the average Hungarian's view of the United States and of Americans?

SMITH: Most Hungarians had a positive view of the United States, perhaps in part because of our being demonized by the Soviets. There were a few Hungarian who were still bitter because the Voice of America had called on people to rise up in '56, and then we did nothing to protect them. Nevertheless, most Hungarians had a positive picture of the United States. Many Hungarians had family in the U.S. who had left in migrations starting in the nineteenth century, and continuing in '45, '46 and then another wave in '56. Through

Library of Congress

one means or another, Hungarians learned about life in America, although it was often more positive than the reality. At least indirectly, families in America and Hungary tried to stay in touch. Sometimes, the person in America would write to a friend in Austria. The Austrian would then either travel to Hungary or write in German to their Hungarian contact and pass on the information from their relatives in the U.S. Most Hungarians had a pretty fair idea of what was going on in the West.

Q: You were there during the Watergate crisis in the United States. How did that play in Hungary, or did it play at all?

SMITH: I don't remember it playing a role at all. I remember reading a lot about it myself, but I don't remember it becoming an issue in Hungary. The communists might have tried to get some political mileage out of it, but the Watergate scandal was small potatoes compared to what they were dealing with.

Q: I was talking to someone who served in Yugoslavia at the time when this happened. First you discredit a leader, and then you get rid of him. It's a coup. So what's new?

SMITH: I don't remember that being an issue in Hungary.

Q: When you left in '76, after your first tour, did you feel that you were joining a new club having come out of Latin America, or did you feel that you had enough credentials now to become an eastern European hand?

SMITH: I had a different perspective on the Foreign Service and the possibilities for a more interesting diplomatic career. I knew that I didn't want to go back to Latin America. I was also convinced that I wanted to stay in the European area. I don't know if I had enough confidence at the time to say that I was a European hand. I don't think I could have said something like that after one tour in Hungary. In any case, it wasn't until close to the end of my tour before I found out where I was going to work in the Department. I was offered a job in the Arms Control and Disarmament Agency (ACDA). It was another case

Library of Congress

of accepting an assignment even after people told me that it was not a good career move. At the time, however, I thought, that the work sounded particularly interesting. I liked the idea of dealing with arms control issues and accepted the job in the International Affairs Bureau of ACDA. Temporarily, it did turn out to be another bad decision. Fortunately, things worked out well after a few months.

When I reported for work at ACDA, I found that they didn't accept my security clearances from the State Department. Since ACDA came under State and was in the same building, I found the security clearance issue really crazy. I was required to go through another full field investigation, this time sufficient to have access to atomic secrets. I had to share an office with another FSO. I found it hard to work in a small office with another person, particularly one who was very sociable. My immediate supervisor was also an FSO, who was extremely ambitious. At times, he actually asked me to spy on colleagues in the European Bureau of the State Department in order to find out how we could get ahead of them bureaucratically. He assumed that he would look good if he could anticipate the policy positions of State. I was very reluctant to do it.

After a few weeks of this, I decided that I wanted to return to State. Instead, ACDA offered me a position on an arms control delegation at Geneva for six months. I said no, I didn't want to be away from the family that much. So after I was in Washington for about three months, a friend of mine who was the Portuguese desk officer in EUR resigned from the Service to work on Ford Motor Company's international affairs staff. I immediately applied for the job in EUR. I didn't hear anything about my request for a while. My boss at ACDA was furious with me for applying for the position. At ACDA, a very nice senior assistant secretary level officer called me to his office. He tried to talk me out of leaving ACDA. I didn't have the nerve to tell him about my lack of respect for my supervisor. Instead, I told him that I wanted to get back into bilateral issues. I think, however, that he had it all figured out. In any case, I learned some interesting policy lessons from my few months at ACDA.

Library of Congress

It turned out to have been an interesting experience to see how defense and security issues played out in the international disarmament business.

Q: You were there from when to when?

SMITH: I was in ACDA from August of '76 to about November of '76.

Q: You mention FSOs there. Did you have to be a true believer in arms control or were these people..

SMITH: I don't know. Maybe some people had a hard time finding an assignment somewhere else. Most, however, were intellectually interested in disarmament issues. There were some FSOs in the higher reaches of ACDA who were serious experts in the whole field of disarmament and arms control. There were some brilliant people there. The issues were interesting and important. Although we were dealing with some interesting issues relating to nuclear, chemical and biological weapons, I had serious problems with the working atmosphere in my office. I could never respect myself if I allowed myself to become a spy on my former colleagues in EUR. I had just come out of EUR, and found the whole idea pretty bizarre. My extremely ambitious boss operated as if his subordinates were there to advance his personal career, not deal with important national security issues. About six months later, he was passed over for promotion. This may have been a factor in his killing his wife and committing suicide. He was a very high-strung person and apparently was facing career and marital problems at the same time. It was a real tragedy. They left two sons, who were brilliant university students.

Q: Oh how sad.

SMITH: Yes, it was. Promotion had become too important in his life. Anyway, there were many good people in ACDA, and some continued to be friends throughout my career. Finally after not hearing anything from EUR, I went up and talked to the country director and asked what was happening. I was kind of caught now because I had applied for the

Library of Congress

job, and ACDA is already upset with me. So they said, ok sure, I just hadn't gotten around to moving the paperwork. So I took the job as Desk Officer for Portugal. I had a deputy, because this was shortly after the Portuguese revolution, and our bilateral relations were undergoing a lot of change. Important to the U.S. was the continued use of airfields in the Azores Islands and on the mainland. Secretary Kissinger had gotten himself in hot water over our policy toward Portugal. He had fired our first ambassador because he had supported strengthening U.S. relations with the Portuguese Socialist Party. The ambassador believed that the Socialists were the most viable alternative to the pro-communist military leadership. Kissinger personally fired the ambassador and sent out a career officer who he thought would adopt a different approach. The ambassador he sent out was Frank Carlucci, who immediately instituted the policy of the first ambassador. By then Kissinger didn't think he could get away with firing Carlucci, particularly since he was greatly respected in Washington. Of course, on the policy issue Carlucci (and the previous ambassador) turned out to have been right, and Kissinger very much wrong. It was great to work with Carlucci. He was terrific and the desk had good ties with the embassy. I made at least three trips to Portugal and the Azores over the next two years. It was a great job.

Q: You were doing this from when to when?

SMITH: It would have been from late '76 to mid-'78. Afterward, I became the Spanish desk officer in the same Office of West European Affairs. I was asked to keep an eye on the Portuguese Desk, at the same time. My assistant on the Spanish Desk was James Cunningham, who later became an Ambassador at the UN. Jim was a talented and hard working assistant. Ed Rowell was the Office Director. He was a real workaholic, but a terrific guy. He was the hardest working guy I can remember ever working with. We were able to accomplish a lot, because Spain and Portugal were going through extremely difficult times and there was strong support within Washington for bringing stability to the Iberian Peninsula. It was a fascinating experience.

Library of Congress

Q: Let's talk about it. When you came on really at the end of '76, Carter's team was just getting ready to take over. So Kissinger was going to be out. Had the battle between Carlucci and Kissinger essentially been resolved by this time.

SMITH: Yes, it had been. Over a period of time, Carlucci convinced Kissinger that we really had no alternative but to support the activities of the Socialists. It turned out to be the correct policy. Kissinger finally accepted it and moved on other issues. Carlucci had a lot of support in Washington. He really knew how to wheel and deal with the bureaucracy to get what he wanted. The big project that I worked on was a \$300 million balance of payment loan from Congress, which was to be part of a larger \$700 million international loan to the Portuguese government. The objective was to provide a fiscal cushion that would allow the reform government to get through this difficult, somewhat chaotic period. It was the first time I had really worked intensely with Congress. At the start, I thought that getting \$300 in loan money for Portugal was a long shot. It took lot of work, but we succeeded. And Ed Rowell; god he worked hard, and made us work hard, in order to make it happen.

Q: Tell me, a lot of work, what...

SMITH: We spent a lot of time with key Congressmen and Senators in order to build support on the Hill. We wrote countless action and information memos to the Congressional leadership and to other key departments, such as the Treasury Department.

Q: Was there an issue of hostility, or was there a pro-Portugal lobby? You've got Portuguese in Rhode Island and in Massachusetts and I think in California too.

SMITH: There was only a modest amount of resistance, mainly on fiscal grounds. We received strong support on the Hill from Congressman Gary Studds of Rhode Island. He had a heavily ethnic Portuguese district. On the Senate side, Senator Dodd from

Library of Congress

Connecticut, also had many Portuguese in his district. He gave us strong support. I think that Dodd and Studds spearheaded the whole effort on the Hill. We had at least weekly contact with them. We were often asked why we wanted a appropriation of \$300 million for this particular little country. Balance of payments assistance has never been very popular on the Hill. In fact, the U.S. doesn't grant it anymore; it now being left to the International Monetary Fund. We felt that the U.S. had a lot at stake in Portugal, part of it being two air bases that were viewed as important Cold War facilities. People were of course worried about the danger of a communist military leadership taking over in a NATO-member country Portugal. In any case, the loan did succeed in stabilizing the Portuguese economy and shifting political control to the moderates. It is important to note that all the loan money was repaid with interest.

Shortly afterward, I was asked to take over the Spanish desk, which was even more fascinating. For the next two years, I worked closely with a Spanish Embassy that was much more professional than the Portuguese Embassy. Since the embassies usually don't really have high level access in the State Department, a junior person in the State Department can suddenly become very important to them. The Spanish constantly came to me for advice and for access to higher-level officials.

Q: Let's talk about Portugal first. Did you get involved sort of on the political military side because Carlucci was working this too, to sort of woo these guys who, well about the coup, the military sort of back into NATO, to give them goodies of various military things and all that.

SMITH: I didn't get deeply involved in military assistance issues, but did on base negotiations. I met several times with reformist elements of the military, during my trips to Portugal. Carlucci, however, was working directly the top levels of the Pentagon, to isolate the extreme leftists and to provide incentives to the moderates. The Desk was more involved in economic issues and in trying to convince members of Congress, and

Library of Congress

Kissinger's office that Portugal was salvageable. We had to build a case that our economic assistance package would do the trick.

Q: Did you find that when the Carter administration came on, the State Department had to go through an educational period, or were they basically on board when they arrived?

SMITH: I think they were on board. The policy had really demonstrated success, and I don't remember there being any big changes. It was not the policy upheaval that took place when the Reagan administration took over from Carter. I think we were able to demonstrate the success of our policy to the Carter team, and Carlucci probably played an important role in this, even though he had moved on by the time Carter came in. Carlucci believed very much in our policies in Portugal, and was very good at maintaining support within the Government and on the Hill in later years. Later on Ed Rowell became Ambassador to Portugal, as did Herb Okun, Carlucci's DCM.

Q: Because you were sort of one down, there was Ed Rowell and then you, how did you find it? Did you find that Carlucci was doing things that you didn't know about, and playing catch up or not?

SMITH: No. Carlucci was a very collegial person and he kept everyone on the same page. I had good personal ties with him. When I made stops in Lisbon, he always had me over to the residence for a private discussion regarding policy issues. He also included the desk in his discussions when he was in Washington. He always made me feel like I was a member of his "team." He would pick up the phone in Lisbon and call me or anyone else working on Portuguese issues. If Ed Rowell was in the office when he called, he would talk with Ed who was good at keeping me informed of Carlucci's views. If Ed wasn't there, Carlucci would talk to me and I would brief Ed afterward. I never felt blindsided by the embassy. Carlucci had an excellent embassy team in Lisbon. Almost all went on to have highly successful careers.

Library of Congress

Q: I've always felt that this Carlucci period in Portugal is one of the star performances of an American diplomat. It's an example of a person who made a change. Did you feel sort of exhilarated in a way from being part of this, or was this new to you? Did you realize that you were part of really something that was rather extraordinary in American foreign policy?

SMITH: I don't think I recognized how unique it was at the time. Later on, I began to understand that our success in solidifying democracy and economic change in Portugal was a remarkable accomplishment for the U.S. Most of the time, the emotion I felt was that of exhaustion from working long hours, including every weekend. I don't really think I had time to feel exhilarated, but I did feel highly motivated. Working with Carlucci on one end, and Ed Rowell on the other, was a great experience.

Q: How about the family? I often wondered about the effect of these jobs on your family.

SMITH: It was not a good time for my family. I did pay a price for being away from my kids at an important time in their lives. That's one of the things I look back on with regret. I could have used the time I had with the family more profitably. It was a period when my wife decided that she didn't want to live overseas anymore. She wanted me to give up the Foreign Service career. It can be a difficult life for an accompanying spouse.

Q: Above Ed Rowell what was sort of the hierarchy in the European bureau?

SMITH: The DAS was Bob Barbour. He was quite knowledgeable and competent and provided good support to our office.

Q: Who was the assistant secretary for your field?

SMITH: I think at that time it was George Vest?

Q: Could well have been.

Library of Congress

SMITH: I think it might have been George Vest. He was a wonderful man and always paid attention to the careers of junior officers in the Bureau.

Q: Did you feel part of the European scene?

SMITH: At the time, I felt that I was dealing with “real” European affairs. I still believed, however, that an assignment in Western Europe was necessary to be a European expert. Nevertheless, the Assistant Secretary and the other top people in the Bureau had a way of making us all feel that we were part of the larger international picture. Vest would hold meetings from time to time where junior people were invited to hear somebody talk about the Soviet Union or something unrelated to what we were working on. It kept the place interesting, and made us feel like important policy players. Since I was working in the Office of West European affairs, I had a fair picture about what was going on in Italy, France and Malta, in addition to Portugal and Spain. Jim Dobbins was the French desk officer while I was there. Bob Barbour, who was Ed Rowell's predecessor, had become the DAS after Bruce Laingen left for Tehran (to become one of the hostages). Bob later became an ambassador and for many years was a Foreign Service Inspector.

Q: You'll have a chance to fill this in. You moved over to sort of the Spanish desk in '79, after two years?

SMITH: In 1978, probably late in '78. I was there for two years.

Q: So we're really going up to about '81. What was the situation in Spain would you say in '78?

SMITH: There was uncertainty. The conservative government was trying its best to overcome the legacy of General Franco. Even with a conservative government, there was considerable unrest within the very right-wing military and the Civil Guard. There was serious terrorism being carried out by the Basque radicals and there was political separatism growing in the Catalan region. The military and Guard wanted the government

Library of Congress

to clamp down on civil liberties in order to combat Basque terrorism. I made several trips to Spain during that period. A lot of my time was spent dealing with military base negotiations. We occupied military bases in three parts of Spain. They were considered important strategic bases designed to counter or deter a possible Soviet attack.

Q: You hadn't got involved with the Azores or..?

SMITH: Earlier on I'd gone to the Azores. By the time I worked on Portugal, there was no longer the question of whether the Azores were going to declare independence. But the U.S. use of the Azores airbases was the subject of a lot of negotiations, in which I participated. I made a trip to the Azores in the middle of the winter in order to consult with our airbase commanders. The issues were complex, but interesting.

During the first re-negotiation of the bases, the Portuguese were willing to give us whatever we wanted. They were still grateful for our support of democratic government after the death of the dictator, Caetano. During the next negotiation, they became more demanding. By then, they had a better idea of the military value to us of the bases, and about how much assistance they get from us.

The Spanish negotiations were much more complex, in part because the important Barajas airbase was within the Madrid city limits, and the Spanish Government wanted to close it down. We also occupied a major tanker re-fueling base at Zaragoza in the west. And we used a major naval base in the south at Rota, where we based nuclear submarines. The Spanish were more concerned about national pride than were the Portuguese, and Madrid insisted on having more control over operations at bases on their territory.

Q: Were you in charge of the Spanish desk by this point?

SMITH: Yes. Fortunately, I had deputies that were really terrific. I thought that we all worked well together, even though the work was time consuming and at times tedious.

Library of Congress

Q: With Spain, by this time did we feel there was a stable system that was going to work, that could change parties and all?

SMITH: We were fairly confident that things were going to work out in the long run. We maintained close ties to the governing parties and with the Socialist opposition. Of course, in 1981, there was a serious coup attempt. The Guardia Civil took over the Parliament and held parliamentarians prisoner until King Juan Carlos talked them into surrendering. The King was a key figure in the success of Spain's transformation to democracy. On two trips to Spain, I met with the King and the Prime Minister. I also escorted the King to meetings in Washington on one occasion. For a desk officer, I had very high level contact with Spanish officialdom. The Spaniards sent an ambassador to Washington who had been a businessman. He immediately treated me like I was his most valuable contact in Washington. He was a very decent person, and had the good sense to listen to his professionals in the Embassy. The Spanish were competent diplomats and I developed some good friends within the Spanish Embassy. But the Spaniards would never give anything away. They were real merchants, and they demanded a price for any concessions, particularly on military bases.

They really wanted to get the U.S. military out of Madrid, and wanted to wind down the U.S. military presence in Spain. The Spanish never did feel any threat from the Soviet Union, unlike most other Europeans. Madrid wanted us to reduce the number of tanker planes at Zaragoza, and send home the Polaris subs that were stationed at Rota. The U.S. Navy saw Rota as a key location at the entrance to the Mediterranean. They were determined to maintain our facilities there. There was also an airbase at Rota, used for regional operations by the U.S. Navy. So there were a lot of bilateral political/military issues being negotiated. During my assignment on the desk, I traveled extensively around Spain, visiting the bases and talking to people. I spoke Spanish from my Latin American days, and it was easy for me to develop good relations with individual Spaniards.

Library of Congress

Q: Where stood Spain vis-à-vis the European community in those days?

SMITH: They weren't even considered to be a candidate member. The big issue was Spanish membership in NATO. In the early 1980s, the Spanish joined NATO, but did not join the military committee, at least until much later. This did not sit well with the Pentagon or with State. However, the Spanish bases were not only important to us for Cold War defense, but also for possible action in the Middle East. In the 1960s and 1970s, we stationed B-47s and B-52s armed with nuclear weapons at the bases in Spain, but the nukes were pulled out after a famously publicized case of a B-52 accidentally dropping two nuclear bombs off a popular Spanish beach. The nuclear weapons were withdrawn from the airbases, but not from the Polaris submarines. I found it unnerving to walk among the tightly clustered missiles while on board a submarine stationed at Rota.

Q: Yeah B-47s, those were our second strike planes, they were the reserve down in Morocco and in Spain.

SMITH: Yes, they had them in Spain, but by the 1980s, they had been retired. There was always the nagging question of whether the Spanish would let us use the bases in case of a crisis in the Middle East. We were constantly talking to the Spanish about when we could or could not use the bases to re-supply the Middle East. The Spanish would always avoid giving us a straight answer. Because of Spanish history and the country's geographical nearness to North Africa, they were reluctant to irritate the Arabs. They also attempted to use the issue as leverage to get us to support their position opposing Morocco's assertion of sovereignty over the disputed North African enclaves of Ceuta and Melilla. The islands were on the Moroccan coast, but were controlled by the Spaniards. Madrid wanted us to clearly come out and say that we recognized Spanish sovereignty. We refused to. Another issue was Gibraltar, that the Spanish wanted to take back from the British. That was one issue on which we didn't want to defy London, our closest ally. There were almost too many bilateral issues being dealt with at once. We were also trying to help Madrid counter terrorism that came from Basque extremists. We wanted the French

Library of Congress

to cooperate with Spain in controlling the cross-border movement of the ETA (Euskadi Ta Askatasuna) people. The French were not cooperative at the time. Years later they became more cooperative, but in the early 1980s, Paris was more worried about upsetting its own Basque population. I made two trips to Bilbao, the center of Basque influence, and met with local officials, including representatives of the Basque Nationalist Party. I did not meet with ETA members, of course. It was fascinating to go to northern Spain and talk to the more moderate nationalists. During World War II, there had been close cooperation between Basque nationalists, including people who later participated in ETA, and U.S. intelligence agencies in combating Nazi influence on the Iberian Peninsula.

Q: OSS.

SMITH: Yes, the OSS. We believed that even though we had a consulate in Bilbao, and were clearly supporting Madrid, the extremists would not attack Americans. We rightly assumed that ETA feared that the United States could crush anybody, at anytime, anywhere in the world, which of course was not true. ETA never did attack any Americans, even though bombs and assassinations were commonplace in those days.

Q: How did you see the role of the king at that time?

SMITH: The King and Queen always played a very positive role. Spaniards had expected very little out of the King, since he was put in place by Franco. Over time, his consistent support for democracy gained him enormous prestige. The King and Queen became very popular role models. They were both very decent, down-to-earth persons. We saw the King as a real positive player in Spain's transition. I hate to think of the difficulties Spain might have had without the King's strong support of transparent government and his positive attitude toward the United States and NATO.

Q: Were you on the desk when this Guardia Civil coup attempt took place? What do they call the parliament there? I can't remember.

Library of Congress

SMITH: The parliament is called the Cortez. I wasn't on the Spanish desk at the time, but during the Guardia siege of the Cortez, I was brought in to direct the crisis task force in the Operations Center. I was there all night with an open telephone line to the embassy. It was feeding me live radio broadcasts from inside the Parliament building. The next morning, I was asked by EUR to brief Secretary of State, Al Haig so that he could demonstrate our support for Spanish democracy. Unfortunately, I couldn't get to Haig. His staff wouldn't let me see him. So Haig came out of his office the next morning after that coup attempt and said exactly the wrong thing to the press. He said that the coup attempt had been an internal Spanish matter, and he didn't want to comment on it. The very suspicious Spanish press immediately interpreted this as a sign that the United States was supporting the coup attempt. It was just a disastrous public relations exercise on Haig's part, but typical of his view that he was always smart enough to wing it with the press. We spent months trying to recover from that his faux pas. Meanwhile, the Embassy and the rest of the U.S. Government, was assuring everybody that we were supporting Spanish democracy and deplored the coup attempt.

Q: Was there a Franco wing to the political movement?

SMITH: There was a very conservative individual who led a party that was considered by some to be pro-Franco, but I came to believe that he had become a committed democrat. The Socialist Party of Spain, which started off as a Marxist party, kept trying to brand him as the successor to Franco. I disagreed with the Socialists. I met with this man several times. He wasn't a fascist or anything like that. He always played strictly by democratic rules. There was no threat of a resurgence of Francoism in Spain apart from the coup attempt of the Guardia.

Q: Were we watching a change in Spain of going from almost a medieval country to a modern country?

Library of Congress

SMITH: I never saw Spain as a backward country. Spain was a pretty modern state when Franco died, even though it was economically behind most of Europe. It was far ahead of Portugal, the Balkan region and of Eastern Europe. Modernity is relative. I saw Spain as a country with a lot of potential. Basically we assumed that Spain's economy would rapidly modernize as it integrated into Europe. We didn't have any massive loan program or assistance programs, outside of those that were payments for military base use. I remember that we encouraged the IMF and World Bank to finance long-term infrastructure projects and to stabilize the currency. In the end, Spanish integration into the European economies brought rapid growth to the country.

Q: Did you have any run-ins, this is during the Carter time, with the human rights bureau, Pat Darien and all that, or were things in the Iberian peninsula pretty stable and no particular human rights problems?

SMITH: No, I don't remember any serious issues. We were generally supported on the issues of separatism in the Basque and Catalan regions. We had consulates in Barcelona and in Seville. They are all closed now. This is a pity. We really closed too many consulates in the 1980s and early 1990s.

Q: Yeah, the savings are small and the results are negative.

SMITH: As desk officer, however, I made several trips to Barcelona and Seville. Each was very useful. I have been back to both places, giving me a chance to see firsthand the enormous change in Spain.

Q: I think while you were on the desk there was this Madrid conference on the Helsinki accords and all?

SMITH: I think that was later, but your memory of some of these things is probably better than mine.

Library of Congress

Q: I know because Pell came over. I was consulate general in Naples in 1980, November or so when we had a bad earthquake. And Pell came over from this conference, I think Max Kampelman was... but this is just where they put it. This wasn't particularly your involvement.

SMITH: I don't remember it. It sounds familiar. There were so many Madrid conferences, some dealing with Middle East issues.

Q: This was the Helsinki accords.

SMITH: Yes, I do vaguely remember this. I don't remember the timing, but now that you mention it, there was a Madrid conference around that time, at which we were trying to force commitments from the Soviets, particularly on "basket three" issues dealing with human rights issues.

Q: It probably didn't register because this would have been European-wide. What about the Soviets. Were the Soviets playing any role there at that time? Were we concerned about them or had that..

SMITH: The Soviet Union did not have much influence in Spain. The Soviet Embassy was always trying to convince the Spanish to expel the U.S. military and to stay out of NATO. They were not very successful, however. There was a communist party in Spain, but the Socialists had the overwhelming support of the left. They were led by Felipe Gonzalez, who later became Prime Minister. Most of the people in the Socialist Party leadership came from Seville and started off with some ridiculous left-wing ideas, but they quickly moderated their views. There were some people in the U.S. government who worried that the sky would fall if the Socialists came to power. Some Socialists opposed to NATO membership. I remember going to New York to listen to a speech by Felipe Gonzalez and I talked to him afterwards. This was before he was Prime Minister. We argued some about defense policy, but it was a friendly argument. When I used to go

Library of Congress

to Spain I would go with an embassy political officer to a nightclub, where the Socialists would speak extemporaneously about policy issues.. People would just get up and start talking about politics and the debating would start. There was a very good political officer at the Embassy, and he introduced me to many Spanish politicians, including quite a few Socialists. In any case, when the Socialists came to power, they carried out quite moderate policies, and there was no talk about leaving NATO.

Q: About '81 when you left. Whither?

SMITH: I went down one floor in the State Department and became a desk officer in the Office of Northern European Affairs. I headed the Office for the UK and Ireland. That was also an interesting job and I traveled extensively around those two countries, including Northern Ireland, a major headache for us. I benefited intellectually from working on three different European desks. I had decided to remain in Washington for eight years in order to allow two of my children to finish high school in the U.S.

Q: This was '81 to..

SMITH: It must have been 1981 to 1983. During the last year, I also became deputy director of the office under Bob Funseth, who had been Spokesman for the State Department. .

Q; He didn't go up to the Netherlands as ambassador did he?

SMITH: No, he never went out as ambassador. Reagan came in to office, pulled out all of the career officers from Europe. Therefore, our office had 10 new ambassadors to prepare. Nine of them were political. Only one career person went out to Northern Europe as ambassador in 1982. It was sad watching our office director preparing nine political ambassadors, when he was more qualified than any of them and should have gone out himself. The only one career person was Jerry Bremer, who went to the Netherlands. As it turned out, he had close ties with some Republican politicians.

Library of Congress

In any case, it was an interesting time in the UK. The U.S. and U.K. were cooperating on a lot of military and intelligence issues in third countries. There were Soviet, African, Middle East and China watchers in our embassy in London, and in the British Embassy in Washington. Northern Ireland obviously was a very big issue for us. I made two trips to Belfast and Dublin while I was on the desk. I found Belfast a fascinating place and the countryside was lovely. I fell in love with Northern Ireland, and thought about going to Belfast as the consul general. The DCM in London told me that he could arrange for me to be assigned there, but said that it wasn't a good career move, which was correct. In any case, the only place in Belfast where the leaders of the Protestant and Catholic communities would meet informally was at the American Consulate General's house. The U.S. Consulate General, therefore, played an important role in trying to keep a lid on things. It was my first experience with sectarian violence. I had to learn a lot in a short time about the "troubles," as they called it in Ireland. One had to study three hundred years of history and understand the complex web of discrimination against Catholics.

Q: Did we have a stand on this? Were we conflicted because of our Irish leaders, the Kennedys, the others?

SMITH: Not at that time. This became more of an issue in the late 1980s and early 1990s, when a Kennedy went to Dublin as ambassador. The IRA did have a fair amount of sympathy from the Irish in New England. During the period I was on the desk, we were supportive of British efforts to resolve the crisis. The Government viewed the IRA (Irish Republican Army) as terrorists, and there wasn't a strong lobby opposing this viewpoint. During one of my visits, I visited the heavily-fortified Stormont Castle in Belfast, where the British Government offices were located. I met with the U.K. intelligence people about sectarian violence and possible arms shipments from the U.S. During two trips, I visited the headquarters of the Royal Ulster Constabulary (RUC), the police who had to deal with the violence from both sides. The RUC tried to recruit Catholics, but those who joined up, were threatened with assassination by the IRA

Library of Congress

Q: How about this Noraid or whatever it was coming out of Boston, New York?

SMITH: We felt that the charge of U.S. help to the IRA was somewhat overplayed by the British, in part, because it provided London with an excuse for not being able to stop the violence. Most of the weapons that were purchased by the IRA people came from non-U.S. sources. Much more money for weapons was raised from extorting businessmen and others in Ireland, than from donations from the Irish community in the U.S. The IRA bought most of their weapons in Belgium. The money raised at Irish wakes and in bars around New York and Boston was pretty small potatoes. Every once in a while, the FBI would arrest somebody who was involved in trying to smuggle weapons to Ireland, or they would raid some organization that was collecting money for the IRA. But we felt that the activities of the Irish in American were overplayed by the Brits.

Q: Did you ever talk to Ian Paisley or his ilk?

SMITH: Yes, I talked to him once, and I talked a couple of times to his primary assistant whose name I can't remember. I found them both to be very unpleasant characters.

Q: These were the Protestant militants.

SMITH: They really turned me off. We didn't talk to anybody who we thought was involved directly in terrorism from either side of the sectarian barrier. They were a strange bunch. The sectarian situation resembled tribalism more than religious conflict. Aside from the Paisleys and others extremists, I found the people very nice. They all seemed to be quite rational until one came to the subject of living together with other religions. There was a moderate party started in the early 1980s that tried to appeal to both Catholics and Protestants. I think it was called the Alliance Party. Their hope was to bridge this sectarian gap and get people from both sides cooperating. I remember thinking that this group had a great future, but they never got more than 5% of the vote. I was thinking like an American, not a person steeped in the history of Irish-British sectarianism and past imperialism. I

Library of Congress

remember meeting with the Anglican bishop in Belfast about the situation. He was a very savvy person, who understood the complexities better than anyone else I met. I don't remember too much of what he said, but I was enormously impressed with his ability to see both sides of the issues.

Q: I served a long time in Yugoslavia. Tito was there, and I just couldn't believe that these wonderful people would revert to something really medieval. Again, it's not religion. In some ways it was more the highlanders versus the lowlanders or something of that nature. It's hard for us, I think, as Americans, to understand. We haven't been living in one place so long to understand.

But was this something that you were involved in when you were on the UK desk?

SMITH: Yes, I can see what you mean about the difficulties of outsiders understanding the deep hatreds that stem from religion, discrimination, nationalism and greed. I finally traveled to Dublin, to try and better understand the "troubles." Everyone wanted to see more self-representation in Northern Ireland, because Northern Ireland was being ruled from London, but it was impossible to establish home rule while I worked on the desk. It took another 15 years before home rule was agreed to. The British and Irish owe a great deal to the efforts of Senator John Mitchell.

Q: Was our embassy in London and our embassy in Dublin pretty much in the same line? Were there any problems there of different approaches?

SMITH: No, I think they were pretty much in agreement on how to deal with Northern Ireland. Both embassies worked well on this issue. Later, it became a problem when the Kennedy family became more engaged. Fortunately, I had a great assistant on the U.K. desk. He had a Ph.D. in British studies and he'd served in France. The fact that he knew Britain so well was a tremendous advantage for me. I didn't know that much about Ireland before I went to the desk..

Library of Congress

Q: Maggie Thatcher was Prime Minister when you were there. You were there when the Reagan administration came in. Were you sort of observing, I'm using this in political terms, that the great love affair affinity between Thatcher and Reagan or not?

SMITH: Yes. I saw that. I believe that their good relationship played a positive role in our bilateral dealings. It also contributed to the ability of both sides to prevent disagreements from getting out of hand and we did have serious arguments. Later on, I saw how that actually worked after the Falkland War. I was head of the task force in the State Department in the operations center during the whole war. While the public blamed us for being "neutral" on the side of the Argentines, Mrs. Thatcher recognized that we had to appear to be neutral in order to maintain some influence with the Argentine military junta. After the war, however, we had some serious conflicts with the Brits over military issues, particularly U.S. weapon sales to Argentina. Of course, the British were opposed to any sale of spare parts for Argentine aircraft. We went ahead and made the sale, and Margaret Thatcher sent a tough note to President Reagan; one strong enough to have broken diplomatic relations with any other two countries. Reagan's reaction was, "well that's Maggie." I remember being furious at the British ambassador, who had put her up to writing the letter, but it didn't have any effect on our bilateral relations because of the close ties between Thatcher and Reagan.

Q: Were you there during the miners strike and all that? How did we view that? First place, how did we think it was going to come out? This was the first time that a British government had really gone into real honest to God confrontation with the unions.

SMITH: As I remember, we didn't take a public stand on the strike of the coal miners and power plant workers. Obviously, within the U.S. Government, Reagan supported Mrs. Thatcher's tough stand in opposing the unions. I remember being in London during the strike. It was unusually dark at night, since most of the streetlights were turned off. It was colder than usual in my hotel room. Some other unions were on strike in solidarity with the miners, such as public utilities workers. There was very little support for the inflexibility of

Library of Congress

the miners within the U.S. Government, because we were concerned about the relative economic decline of Britain compared to France and Germany. Washington believed that most of the miners were going to lose their jobs in the long run, and there was no way to keep much of the British coal industry operating in the face of massive losses.

Q: The mines were no longer viable economically?

SMITH: We could send coal from the United States to Britain cheaper than they could mine it and sell it there.

Q: You're talking about when they closed Newcastle.

SMITH: About that time, gas and oil was discovered in the North Sea, both in the British and the Norwegian sectors. I think people also recognized that while there was a humanitarian question of how to provide help to the miners, the mine closures were not going to cause any long-term energy shortage in Britain, thank to the discoveries of hydrocarbons in the North Sea.

Q: When you were there, looking at Great Britain, were we concerned about sort of the power of the unions and all. There was talk of the "British disease."

SMITH: Well, some people were worried about it, including Margaret Thatcher. When I was on the UK desk, the British ambassador to the U.S. was Sir Nicholas Henderson. He had been ambassador to France, and I believe Germany. He had retired a few years before coming to Washington and had written an article for The Economist in which he talked about the "British disease" and the relative economic weakening of Britain. He had pinpointed a lot of domestic problems, including inflexible trade unionism and a lack of entrepreneurial talent by company managers. His article gained the attention of Margaret Thatcher, and she appointed him ambassador to Washington. In the U.S. there was also concern that Britain's weak economy was undermining the UK's ability to support U.S. policies in other parts of the world. Henderson was a very active and successful

Library of Congress

ambassador, and he had considerable influence in the Reagan Administration. I played tennis with Henderson from time to time. It was useful in collecting information regarding the UK Embassy's activities in Washington. At times, I had trouble tracking important policy initiatives of the very active British diplomats in Washington. Henderson recognized that this was a problem for my office, and he arranged for us to meet with his top diplomats on a regular basis. During the Falkland War, Henderson was on television four times every morning, but he met with someone from the task force every day. While I was on the desk, and in spite of the close Thatcher-Reagan tie, the U.S. maintained an active relationship with the leadership of the British Labor Party. I remember visiting London and attending a dinner at the ambassador's residence, where the whole Labor shadow cabinet showed up. It was a particularly interesting evening. The ambassador was a markedly conservative businessman, while most members of the shadow cabinet were very much to the left politically.

Q: Who was the U.S. ambassador?

SMITH: I have forgotten his name. He was a Reagan appointee; had great manners, but spent more time in the U.S than in Britain. He was not really interested in policy issues. Fortunately, the career people in the embassy were some of our best. The ambassador was absent from London during the entire Falkland War. He was taking in the sun in Florida.

Q: Let's talk a little bit about the Falklands War and what you were doing. Secretary of State Alexander Haig got very much involved.

SMITH: When the war broke out, I was deputy director of the Office of Northern European affairs. It was my job to call Ambassador Henderson early in the morning to inform him of the landing of Argentine troops on the Falklands. He didn't believe me at first. We and the British had been sharing intelligence about the Argentines for the previous week, but we learned about the landing before the UK Embassy in Washington, even though the

Library of Congress

information was originally a British intercept. Henderson, however, hadn't thought that the invasion would happen that soon. In any case, that morning he questioned me in a skeptical tone. Am I sure about this? And I said, well, yes it comes from your people and we believe it. The next three months were highly intense and we worked 18 hour days without weekend breaks. Secretary Haig began to act as middle man in negotiations between London and Buenos Aires. There were times when they wanted to put me on the plane with Al Hague, flying back and forth. Fortunately, I was able to stay in Washington and continued to run the task force in the operations center. But it was a night and day operation. I think I went weeks without seeing daylight. We had to go through this charade of being impartial for the sake of the Argentines. From day one, however, we were supporting the Brits with weapons shipments and with intelligence.

Q: Yeah, there was no way in a way when you looked at it that you could possibly..

SMITH: The Argentine military junta had to believe that the American Government was impartial, otherwise there would have been no negotiations. We actually did have some high level officials in the State Department who wanted us to lean in the direction of the Argentines, but they were always overruled. In Britain, and in the U.S., there were a lot of people who were upset with us for our alleged neutrality. They believed that Britain had always stood by America, and that when U.K. territory was invaded by the Argentines, the U.S. proved to be a lousy ally. Unfortunately, we couldn't come out and say what we were doing behind the scenes. We were providing the Brits with Stinger and Harpoon missiles, and all kinds of weaponry from day one. We had some useful intelligence assets in the area. One of the ironies was that if the Argentines had just said yes to one of the Haig compromise proposals, the Falklands would belong to Argentina today. The military junta was too stupid to see beyond the immediate horizon.

Q: You were saying about how Bob Funseth was your office director..

Library of Congress

SMITH: He was the office director when I was UK desk officer, and when I later became Deputy Director for Northern European Affairs, about a year before I went overseas.

Q: Could you explain, we had to present the aspect of neutrality in this. It seemed like we were being, it got a lot of people in the States also enraged that we seemed to be playing this overly neutral stance.

SMITH: Looking back, it was the only way we could have played any credible role in trying to prevent an armed conflict between two friends; one of whom was our closest ally, and the other a military junta that we wanted to maintain influence with. Our ties with the Junta were not a particularly honorable part of our foreign policy. They were seen as “useful” to the Reagan Administration's policies.

Q: They were playing a role in Central America I think.

SMITH: A pretty sleazy role in Central America and a horrible role within Argentina. I thought that many of our policies in Latin America were very short-sighted. Unfortunately, our attempt to resist the armed leftists in Central America, who were supported in part by the USSR, led to our support for some pretty terrible leaders in the Southern Cone of South America. A lot of innocent civilians were murdered by military leaders in Argentina, Chile, Uruguay, Paraguay, Nicaragua and El Salvador. It was not a black and white situation, however, because of clandestine Soviet help to the extreme left. In any case, we were not able to state publicly that we recognized British sovereignty over the Falkland Islands. I've forgotten the exact legal definition we used; something to the effect that we recognized Britain's effective control of the Falklands. I was personally happy that the Argentines had turned down Hague's mediation efforts, because there had been some consideration of me being flown in to the Falklands. I spoke Spanish, had worked on Latin American and UK issues, and could be seen as somewhat neutral by the Argentines. My going to the Falklands was dependent on Buenos Aires peacefully withdrawing Argentine forces. The last thing I wanted to do was go to the Falklands in the middle of the winter.

Library of Congress

Q: Don't you like mutton?

SMITH: It's not so bad, but I was not looking forward to going, in part because the U.S. military was talking about dropping me in by air. This was not a great prospect for someone who had never been in a parachute, particularly during winter in the South Atlantic.

Q: Were you feeling, was there at all a battle within the State Department between EUR and ARA?

SMITH: There was a battle. Tom Enders, who was the Assistant Secretary for Inter-American Affairs, had a lot of influence in the Department. Enders felt that we should be more supportive of the Argentines, who were helping us against the Contras in Central America. He was very vigorous at pursuing that issue. In the end, the Secretary rejected his arguments. With Margaret Thatcher calling Reagan on this issue almost daily, Enders was not able to change the policy. Actually, Enders always treated me well, even if I, a junior official, openly disagreed with him. I respected him for that.

Q: I remember going past the British embassy and honking my horn in support, because I felt we were being too evenhanded in this thing.

SMITH: It was a policy we had to pursue in the first two months. Under the table, we were shoveling stuff to the Brits. We sent Stinger missiles as I said before, and everything else under the sun was being shipped to the Ascension Islands, the British launching pad for operations in the South Atlantic. I think we sent a submarine to the area to provide the Brits with additional intelligence.

Q: What sort of things were you doing while you were submerged for weeks at a time in the State Department?

Library of Congress

SMITH: I was answering inquiries from other parts of the government on what we could or couldn't say about our policy. I was writing policy recommendations on how to deal with questions from other allies, drafting State's responses to Defense Department recommendations, writing summaries of intelligence cables and working with the British Embassy on military and public affairs issues. Some of my work involved responding to cables from the Haig entourage, whether they were in London or Buenos Aires. They were usually in one of the two places. I wrote reports on the military situation on the ground and on Argentine damage to British military transport ships, etc.; all of this for the seventh floor. I remember that we knew in advance that the Argentine troop ship, the *Belgrano*, was going to be attacked by a British submarine. A lot of young Argentine navy conscripts lost their life that night. It kind of haunted me for some time.

Q: The former American cruiser.

SMITH: I don't remember if it was originally an American ship. I do remember feeling really horrible, thinking of all those young sailors who were dying. And I remember one night when we thought the Brits had located an Argentine submarine and were going to sink it. It had about 85 young sailors on board. I went to bed that night thinking that when I woke up in the morning, all those young sailors would be drowned. It weighed on my mind that night. I was happy the next morning that the Brits had not been able to locate the sub. The failure to locate it hadn't made any difference in the course of the war. The war became very personal for me at times.

Q: What was your impression that you were getting from your particular view of the Argentine junta?

SMITH: The Junta had the typical Latin American military dictator mentality. They were not a particularly intelligent group, and they were not democratic, in any sense of the word. I felt embarrassed about our policy in Central America. Even though the Soviets were

Library of Congress

supporting much of the left-wing radicals, I felt that our policy put us too much in bed with thugs who were running governments in Central and South America.

Q: What was your impression of Hague? From the outside, one had the feeling that Hague jumped on this thing with a great deal of gusto because he was going to out-Kissinger Kissinger or something like that. I have nothing to base it on, but almost a loose cannon.

SMITH: My experience with him in the Spanish crisis left me with a view of him as a loose cannon, and a person too arrogant to take advice from those around him. He thought that he knew better than certainly the career people how to deal with everything. Because of his military background, he had a lot more faith in military officers than he did in Foreign Service officers. Before Haig, Kissinger in fact had been a problem for the Foreign Service, with his wheeling and dealing on his own. I think he set a bad precedent for successive secretaries, including Zbigniew Brzezinski and Haig. Brzezinski engaged in the same kind of secretive diplomacy as Kissinger. For instance, he went to Paris for secret meetings with the French, and would order his French counterparts not to tell the U.S. ambassador that he had been in the country. I thought that was outrageous. The way things operated at the top levels only added to America's problems. I thought Kissinger had been much overrated as a secretary of state.

Q: He became a sort of superstar.

SMITH: He certainly considered himself a superstar. The one secretary of state who acted as a collegial manager and policy maker was George Shultz. I respected Shultz very much. He was a team player and had a certain amount of modesty, which I hadn't seen in other secretaries of state. I had not seen any humility in Secretaries Hague, Brzezinski or Baker.

Q: During the Falklands thing, were you all kind of a little worried about Hague, what's he going to do or say?

Library of Congress

SMITH: I don't remember that being a big concern because he stuck pretty close to the Department's instructions, which had been cleared personally by the President. We were hoping that there would be some sort of settlement short of war. But once the Argentine planes sunk a major British troop and transport ship, it became almost impossible to talk about compromise with the British. After the ship sinking, there was no stopping British military action on the ground. The British were faced with enormous logistical problems, because of the distances from supply bases, but once they decided to go in, it was all over for the Argentine forces. Some negotiations continued for a short time, but basically the game was over.

Q: Was there any feeling that the Argentines could put up a battle.

SMITH: No. We had a pretty good feel about Argentine capabilities, since most of their equipment and much of their training came from the U.S. We knew in the end that the Brits would win. We thought it might last longer, because the Brits were really stretched, but the Argentine ground forces were also under-equipped and not as well trained or motivated.

Q: A most remarkable sort of armada that went down there.

SMITH: Britain sent planes down from the Ascension Islands to bomb Port Stanley. They had to be refueled about eight times on route. British planes would repeatedly bomb the runway at the airport at Port Stanley. Within two hours, the Argentines had it patched up. It was more symbolic than anything else. But the Brits hoped that they could put it out of action. It demonstrated how difficult it is to put a runway permanently out of operation. The war, however, was decided from ground action.

Q: Was there any putting together things after this was over? Were there any developments after the British had seized control?

SMITH: After the British seized control of the Falklands, we were pressured by the Argentines to sell them spare parts for some old Navy Skyhawks, and they really wanted

Library of Congress

more functioning planes. Enders, of course, was pushing for the sale of a few planes and some parts, arguing that they had little military importance, but would keep the Junta supporting us in Central America. We decided not to sell them planes which they wanted, but sold them some spare parts. Enders convinced the White House that we should supply some spare parts. Maggie Thatcher was furious. I remember, the British successor to Ambassador Henderson came to the Department left us a nasty diplomatic note from his government. I think his name was Robinson. He pushed us hard, implying that we were terrible allies. Even though I was a ways down the food chain, I told him that he had no idea how much the Brits owed the U.S. during the war, and that he was being stupid. In the end, the aircraft parts sale didn't make a hell of a lot of difference. The Argentines couldn't do use the planes for much anyway, once the Brits had fighter planes based at Port Stanley. In any case, shortly after the war, the junta fell apart. Any public support for them evaporated after Argentina's defeat. Divisions within Argentina weakened the military to the point where they really weren't a threat to the Falklands or Malvinas. The military defeat also led to the introduction of civilian rule and publicity about the Junta's "dirty war" against its civilian opponents. Shortly after the Argentine military fell, the military lost power in Chile, Paraguay and Uruguay.

Q: On leaving the UK desk, you became part of the Office of Northern European Affairs. Did anything significant happen in these other areas at that particular time?

SMITH: There were constant NATO issues, regarding cruise missile basing, Spanish membership and arguments over defense spending. I was deputy director of the office for the last six or eight months, and there were constant NATO meetings that we had to prepare the Secretary and Assistant Secretary for. Every time there was a NATO meeting, the office had to come up with long and comprehensive position papers for seven countries. Out of the 10 countries that were under us, only Ireland, Finland and Sweden were not in NATO. Even though we had to scramble to come up with positions on at least

Library of Congress

a dozen issues, half of the paper would never get used in the meetings. Anything dealing with NATO, involved way too much bureaucracy.

There was a too much bureaucratic activity just to appear on top of things to the seventh floor. Some of the writing and re-writing of positions for the Secretary or the Deputy Secretary, was used to bolster positions opposed to those of the Defense Department. We even had to have position papers for State to use for talks with Defense Department officials, Treasury, Commerce, CIA, the Nuclear Regulatory Agency and USAID. Position papers for meetings with the Brits and some of the other allies covered issues with countries all over the world. There were always several issues involving the Soviet Union that would have to go into the briefing book and this always involved difficult negotiations with the Soviet desk. It seemed like we were always negotiating talking points with other bureaus and other government agencies. It was just constant memo writing. That's what I remember. Jesus Christ.

Q: You left this memo-writing job when?

SMITH: In 1983, to go as Deputy Chief of Mission (DCM) in Budapest. I first took a two month refresher course in Hungarian at the Foreign Service Institute. I thought I was going to be the DCM to Jacques Shirley, who was the top career USIA officer. He was fluent in Hungarian, having spent WWII trapped in Hungary and was extremely competent and a decent guy. I visited with him at USIA and we discussed policy issues in great detail. As it turned out, I was the DCM to a Nicolas (Miklos) Salgo, political appointee, who took the job away from Shirley after making a \$550,000 contribution to the first Reagan election campaign. He also gave a discount on the sale of a Watergate apartment to Charles Wick, a close friend of the Reagans. Wick later became the Director of USIA under the Reagan Administration. Salgo had been born in Hungary. He moved from Hungary to Switzerland in 1938, and then to the U.S. after the war. When he learned in early 1983 that he would not get his first choice as ambassador to France, he pressed the Reagan White House successfully to become ambassador to Hungary. He had been a successful mergers

Library of Congress

and acquisitions businessman in New York. Salgo was married to a very wealthy French woman who had no desire to live anywhere but France or the U.S. In any case, \$550,000 was the price paid for the job. The selling of ambassadors, which continues to this day, is enormously corrupting to the government and demoralizing to the Foreign Service. I've lost hope that this "spoils system" will ever change.

Q: So, where and when did you go overseas?

SMITH: In the spring of 1983 I went to FSI for a refresher course in Hungarian. The course turned out to be very useful, and it helped me communicate well in Hungarian from the day I returned to Budapest as DCM in July. I had met with Salgo once before going out, and he assured me that he supported my nomination as DCM. I later found out that as soon as I'd left the office he told the country director that he planned to give me a three month trial period, after which he would decide whether to replace me. In any case, he was happy enough with my work to keep me there through the entire three year assignment.

Q: So you were there from '83 to '86?

SMITH: Yes. They were very interesting years. I felt very much at home in Budapest in 1983. We were assigned the loveliest house that I'll ever live in. It was much nicer than I had later as ambassador. More important, the political situation in Hungary was opening up and the economy had improved somewhat. The Communist Party (The Hungarian Socialist Workers Party) had started allowing Americans to have more contact with average Hungarians. This enabled us to get a better feel for the economic and political situation in the country. We could also call on officials at the Party headquarters. Within a short time, I met a lot of people from the artistic community. They tended to be more open and trustworthy than the "journalists" we were forced to befriend in the 1970s. We knew from sources in the Ministry of Interior that the artists were not usually required to report all of their contacts and few of them were interior ministry plants. It was a good feeling to be working in a relatively more open society. The totalitarian aspects of a communist

Library of Congress

state were still in place, but it was administered less oppressively. Hungarians were slowly beginning to discover what life was like outside of the communist world. More were allowed to travel to the West, and they had seen life in Austria and Germany. They began to understand that the world was farther behind economically than they had been led to believe..

Q: Did you have the same ambassador the whole time you were there?

SMITH: Yes.

Q: How did he operate? Would you explain how he used you and all.

SMITH: I don't want to go into too much detail. He had little idea of what was expected of him as ambassador, which would have been tolerable if he had been willing to ask for advice. It had been a serious mistake to name him ambassador. He considered himself to be a tough businessman, working with a Foreign Service filled with people who were weak and indecisive. He thought that his Hungarian roots would be an advantage, but the opposite was the case. Fortunately, the ambassador was out of the country on vacation for over half of our three years together. This made it easier on the rest of the embassy.

Salgo was the first person in Hungarian history to have his own private airplane in the country. He told the Hungarians that it was a test of their desire for good relations with the U.S. They finally agreed to let him station his own plane there, on the condition that it would be piloted by a Hungarian air force officer. That was their way of ensuring that he wouldn't photograph military sites from the air on his way to Vienna or to his estate in southern France, his Paris apartment or to his chalet in St. Moritz Switzerland. Not only was the ambassador gone most of the time, but his wife was in Hungary only on rare occasions. She was a wealthy French woman who did not feel comfortable with the lower standard of living in Hungary. Salgo, however, liked having the ambassador title. He had a heavy Hungarian accent in English, and always wanted me to stand next to him at diplomatic receptions. Often people would meet him, then they'd talk to me and assume

Library of Congress

that he was a local employee who was there as interpreter. It was quite funny at times. I don't think he ever caught onto that.

Even though Salgo was out of Hungary much of the time, he had the idea that a successful ambassador should make lots of decisions. When he was not collecting expensive Hungarian art or taking fencing lessons, he would make a flurry of decisions on all kinds of issues, and then leave the country assuming that they would all be implemented. After he would leave, we would have to figure out how to either comply with them or get around them, since most of his decisions were unrealistic or damaging to the U.S. He refused to take the advice of career diplomats. It was a tough time for all of us. There were many occasions when I told my wife that I couldn't put up with the ambassador any longer, and wanted to leave. She always talked me out of it. Working with Salgo often seemed an impossible task. But I loved being in Hungary, traveled a lot and made many lifetime friends. I also felt that I couldn't abandon the other career employees.

Q: Did the ambassador have useful contacts? Some ambassadors who were foreign born and return to their native country turn out to be, particularly in a place like Italy and all, coming from essentially a nondescript or lower class background, often with a peculiar accent and all, and really that doesn't fly very well in the more sophisticated capitals. I'm wondering though about him.

SMITH: The only personal contacts he had were friends from his youth. They were all over 70 and all were long retired. Speaking Hungarian was not an advantage for him. He spoke an outdated Hungarian of the 1930s. Although he certainly recognized that Hungary was relatively poor and non-democratic, I don't think he ever understood the damage the communist system had done to the psychology or social interaction of the average Hungarian, even of his childhood friends. Communism made people more, rather than less selfish and they lost the ability to make decisions independently. Since the ambassador was a very conservative businessman, he and the Hungarian officials could never really relate to each other. Government officials had a hard time dealing with him. He constantly

Library of Congress

changed his mind, even in the middle of negotiations. He saw himself as decisive, but he was anything but that.

We finally got around to holding property negotiation with the Hungarians on U.S. land seized by the communists in 1947-48. Fortunately, we had a very capable administrative officer, and he and I put together an agreement that we persuaded the ambassador to present to the Kadar Government. The Hungarians quickly agreed to it and we suddenly had a six million dollar exchange of property. We used the money for reconstruction and renovation of American housing properties in Hungary. The admin officer and I had devised language to be inserted into the agreement that would allow the Hungarians to tell us that the money could only be used for renovation in Hungary. Using this language, the embassy avoided having the money transferred to Washington for other uses. The Hungarians were also anxious to see the money spent in their country and we at the Embassy were delighted to be able to hold on to funds.

Not surprisingly, the ambassador convinced the Regan Administration that he deserved the full credit for the agreement. After the fall of the Berlin Wall, he was appointed as the official State Department property negotiator throughout Eastern Europe. It was really a bizarre situation. He had some success, but in most negotiations he left more confusion than clarity in his wake. This usually occurred because he would constantly change his negotiating positions he had in Hungary - leaving even his own side confused.

Salgo thought that as ambassador, he should develop a personal relationship with Communist Party leader, Janos Kadar. He arranged several private meetings with Kadar. Each time, I advised him against going to the meeting alone. I told him that he should take a note taker, and since I spoke Hungarian very well at that point, I could back him up. "No, no he said. I need to talk to Kadar between four eyes." This meant that he wanted to meet with Kadar alone, believing that the intimacy of the meeting would induce Kadar to open up about sensitive political issues. It turned out that Kadar never really did open up with Salgo. Each time he visited Kadar, there would be a note taker from the Foreign

Library of Congress

Ministry. In fact the note taker was very close to the security services and later became ambassador to Washington. On each occasion, Salgo would return to the Embassy and forget to write up anything for several weeks. Eventually, he thought that he should dictate some information on the meeting, since Kadar, after all, was the most powerful man in Hungary. Often Salgo would be flying out of the country right after the meeting. By the time he returned he couldn't remember what the discussion with Kadar had been about. So he would describe in his cables Kadar's health condition and what kind of scotch they drank. Basically that was it.

Six months into his assignment, Salgo decided that he needed to write an analysis of his impressions of Hungary for Washington. Unfortunately, he had trouble writing intelligible English. So he'd put his thoughts on paper in English, and then he'd hand it to me and ask me to write it up in proper English. His French and German were better than his English. In his first six month report, he wrote that Washington could only understand the relative progress of the Hungarians if it recognized that the Hungarian people were genetically superior to the other East Europeans. I advised him against saying this, no matter how strongly he believed it. He answered that people in Washington would agree with him. I again warned him not to write that Hungarians were genetically superior. We had a big argument about it. I scratched it out of the draft and he agreed to try again. When I was given the next draft, it contained the same "genetically superior" language. He was insistent about the language. I told him that he would only discredit himself and the Embassy back in Washington. We went through discussion for almost a week.

Finally he announced that he was going to use his original language and that I could take my name off the document as having cleared it. It did just that. He was the ambassador, and if he wanted to make a fool of himself, I couldn't stop him. As I had predicted, officials in Washington were appalled by the language and just ignored his cabled impressions after that. We were fortunate to have had a really terrific deputy assistant secretary, Mark Palmer. He later replaced Salgo as ambassador, and did a wonderful job while in Budapest. Palmer also backed me up after I was been targeted by the secret police.

Library of Congress

Salgo would have had me replaced, believing that the secret police had damaged my effectiveness. It would have been the wrong reaction by the U.S. to a clear provocation by the worst elements in Hungary.

During my period as DCM, we began to develop U.S. commercial ties with Hungary. Several American companies were interested in doing business there. IBM was the first to establish an office. We were also trying to help an American company sell crop dusting helicopters to Hungary. Things were slowly beginning to change in Hungary. I even saw the changes close to home. I had a gardener who worked at my house and who lived with his family on the property. I liked to go out and mess around in the garden too, so the gardener and I would have political discussions in Hungarian while we worked. He was a real believer in communism and every day he read through the Party newspaper, Nepszabadsag. I liked the guy and enjoyed discussing politics with him. Our talks were good for my Hungarian language and for my understanding of Hungarians. I remember that early in my tour, the gardener made a trip with his family to Romania. He was delighted that Hungary was more developed economically than Romania, and he ascribed it to the form of communism practiced in Hungary. Of course, compared to the situation in Romania under Ceausescu, Hungarians were much better off. About a year and a half after his trip to Romania, the gardener took his wife and two of his three kids to Austria and Germany. He couldn't take them all, since the youngest one would have to remain as a hostage to their return. Their trip to the West was a real eye-opener for the family. The gardener returned visibly shaken and admitted that the situation was much better for people in the West. He was quite depressed for several months after the trip. He was honest enough to admit to me that maybe communism was not the answer for humanity. This example illustrated the slow, but positive change that was taking place in Hungary in the mid-eighties. Busloads of people were making day trips to Vienna to shop, and they usually returned changed in their political views. Of course, the regime's domestic opponents were not allowed to travel, but they already knew what the situation was. A lot of lower level officials were also traveling to the West, mainly to Austria, but also to

Library of Congress

Germany. By 1989-1990, these changes in Hungarian attitudes played a significant role in the Soviet loss of control over Eastern Europe and in the collapse of the Soviet Union.

Q: Were the '56ers able to return at all at this time?

SMITH: Some who left in 1956 were getting special permission to come back. In fact I met an American military doctor in Germany who was Hungarian. He had left in '56. I talked him and his wife into coming back, although they were scared that they would be arrested. They stayed at our house, where they felt a little more secure. They then started coming back on a regular basis. It wasn't a problem. The Hungarians had decided by the mid-1980s that they had little to gain from keeping these people out; at least those who were not known to have killed someone during the revolution in 1956.

During this period, we were active on several political/security issues. NATO and Warsaw Pact countries had signed the Helsinki agreements, part of which obligated the Warsaw Pact countries to respect a host of human rights standards. This provided us a benchmark to judge their internal policies. We would press them from time to time on the treatment of prisoners and civil liberties. The secret police, however, were still very active in the 1980s, though they were much more sophisticated than during my earlier assignment. They were much more discreet and capable at surveillance. They were still very much active in attempting entrapment. In fact, I was a target again of the secret police, as I had been in the 70s. I had taken a trip to Moscow. I can't go into a lot of detail about this one, but I was targeted in Moscow by the KGB, and the Embassy had to arrange for the DCM to accompany me on the train from Moscow to Leningrad.

Unfortunately, the CIA had sent out a station chief to Budapest who was a disaster. He had only served previously in Africa and had terrible trade craft. Even his personal behavior was not professional. Fortunately, some of the junior members of the station were terrific. While I was in charge, a Soviet military officer offered to report to the U.S. He had become disillusioned with communism and appeared to be a decent guy.

Library of Congress

Unfortunately, he was later executed as a result of information passed to Moscow by Aldrich Ames, a CIA agent recruited by the Russian KGB. While not a big supporter of capital punishment, I thought that Ames should have been executed by us for being responsible for the deaths of ten Soviet citizens. Ames had been turned by the Russians through his greed for wealth and lack of commitment to American ideals. In any case, our station chief was too stupid to realize that he was exposing his own people to detection through his terrible tradecraft.

Q: Without going into details, how did this work? Did he understand the area?

SMITH: No, he was an African hand. It was his first tour in Eastern Europe. It had been a big mistake to send him to Hungary. He was a poor manager of the people working under him and their morale and operational capabilities suffered. I'm sure that he quickly blew his cover with the Hungarian Interior Ministry. He insisted on coming in on Saturday mornings and having everybody from the station there at the same time. It was very bad tradecraft. Later on, he caused me a lot of trouble because I took action to have him pulled out. I sent a Roger channel message to Washington saying that I thought the agency should send out an inspection team to look at the station.

Q: A roger channel being..

SMITH: A cable that went directly to the director general of the Foreign Service, and did not pass through the Agency's communication system. As a result of my message, the CIA did send out several inspectors. They determined that the station chief should be withdrawn almost immediately. I don't want to go into details about the reasons for this. Not surprisingly, he blamed me for his troubles. This later caused me a certain amount of grief. Back in Washington he made charges about me implying that I might have been cooperating with the other side. Later on that caused me to confront State's counter-intelligence people and to be polygraphed at FBI headquarters in Washington. It was so stupid. In the middle of my being polygraphed, the FBI's chief specialist stopped the exam,

Library of Congress

looked at me and said, "what are you doing here? State should stop wasting my time." He could see that I been the target of an angry agent. He considered it as ridiculous as I did.

The station chief caused me problems because all of this occurred during a period when there were a lot of spies being uncovered, mainly in DOD and CIA. State was clearly trying to protect itself from criticism from other intelligence agencies. At that time both the FBI and CIA often said that only they knew how to do counterespionage and the people at the State had no idea about security. As it turned out, there were more spies at CIA and at DOD than at State. Anyway, every agency was trying to protect itself. That is why I had to take that polygraph test. The episode caused me some short-term grief, but did not affect my career. The polygraph test caused me additional stress, because it was performed just two weeks after my wife had unexpectedly died. This occurred in December 1986. It was a horrible time for me.

Q: Going back, how did we see the Kadar government at that time as compared to when you were, you were there earlier..

SMITH: 'Do you mean compared to the mid-1970s?.

Q: You had a decade in between. Was this a different government really, or not?

SMITH: The atmosphere was different. Kadar was still a real believer in Marxism, but he was really not running things as much in 1983 as he was in 1973. Hungary had progressed in developing the outlines of a market economy, and the universities had developed some good economists who were experimenting with different approaches to market mechanisms. More private enterprises were allowed. In the 1970s, only small family-run shopkeepers had been tolerated. When I was there in the '70s you could only hire immediate family members.

Q: Ma and Pa shop or something.

Library of Congress

SMITH: Something like that. Later on, you could actually hire up to ten individuals and they didn't have to be family members. People began to develop an entrepreneurial spirit in some areas. They saw how things were being done in the West, and a business mentality was developing.

Also, during my second tour, the Hungarians allowed us to go to the Communist Party headquarters and we had direct contact with the Party officials. During my first tour we were never allowed into the communist party headquarters, that was only a few blocks from the embassy. During the second tour we could go there and meet with members of the central committee staff, particularly the international staff. I went to receptions attended by Janos Kadar and other senior Party leaders. The Soviet DCM had been the Embassy PAO when I was political officer there in the '70s. He returned to Budapest as Soviet DCM when I was DCM. At first, he was scared about having contact with me, but I kept inviting him to the house. I finally got him over with his wife by showing the movie *Reds*, a Hollywood film that painted a favorable picture of the 1917 revolution. I invited other communists, such as the Yugoslav ambassador and his wife, the Chinese ambassador and his wife, and some people from the foreign ministry. The Soviet DCM felt politically protected by the composition of the guest list. In any case, this seemed to break the ice, and we met him and his wife for dinner several times later.

Q: This was a movie by Warren Beatty about members of the American communist party talking about the Russian Revolution.

SMITH: The movie was based on John Reed's book about the revolution. I remember the DCM saying this movie could have been made by Mosfilm, the Soviet film company. As a result of our friendship, my wife and I were the only ones invited to his farewell when he was transferred earlier than planned to be deputy foreign minister. We were the only Westerners invited. Kadar and the whole central committee showed up during the reception. Years later, the Russian returned as ambassador to Hungary. His most recent post was in Finland. I've lost track of him now. He was actually a pretty decent guy

Library of Congress

and when they were leaving his wife invited us to visit them in Moscow. Of course, if we had, it would have hurt his career. During the same period, we had members of central committee, who later became officials in the government, over to our house. One of the most prominent was Laszlo Kovacs, who became foreign minister of Hungary after the fall of communism and is now a Commissioner in the EU. During the 1980s he was the head of the International Secretariat of the Hungarian Socialist Workers Party, the official name of the ruling communist party. I contacted him during later trips to Hungary and was impressed with how rapidly he had become a “Westernized” foreign minister. I thought his policies toward Romania and Slovakia were quite sensible.

Q: Did you have the feeling that the communist party was beginning to reach out to the people as opposed to sort of using its cadre to tell people what to do and all that?

SMITH: I never got the impression they could really ever reach the people. They only knew how to work top down, rather than start with the base. This is the problem of Putin right now. Thinking you can run the government top down is short sighted. It made the government more fragile and unable to withstand popular discontent. It just fell apart in 1989. I remember one Hungarian; a nice guy, but a real believer. On one occasion we were arguing about Marxism over lunch. He stopped and said, “what you are telling me is the same things my kids are saying.” I knew that things were changing if his children were telling him the same things I was. Hungarians had become communist for various reasons. Some were thugs. Some were idealists. Some were Jews who saw their families liquidated by the Nazis, and came to see communism in the 1940s as the only alternative to fascism. Many of the younger party members, however, were just opportunists. We called them careerists. We often referred to them as radishes; because they were red on the outside and white on the inside. .

Q: Radishes?

Library of Congress

SMITH: A lot of people were like that in the 1980s. They knew that to get ahead you had to join the communist youth organization. Some would find reasons not to join the Party, but others did become part of the apparatus. They secured the best jobs, the largest apartments, were treated in the best clinics and shopped at special stores. I was dismayed that after the fall of the Berlin Wall, it looked for a while like former communist officials won the Cold War. Even today, in much of Eastern Europe, former communists are running the most prosperous state companies, and in a majority of cases they are the top government officials. Many who shunned the Party still claim that the apparatchiks won the Cold War. Until recently, Poland has been run by old communists. Hungary is still run by old communists. Lithuania is run by old communists. It's still the case in Russia and Ukraine. They will hang on for years to come.

Q: On that same theme, was there anything equivalent to the Czech dissident movement that came out of the Helsinki accords?

SMITH: There were a small, but determined group of dissidents. They were treated badly even while I was there. But we did meet with them even though they would sometimes get beaten up after meeting with Embassy officers. I met with some of them, but our political officer made a point of meeting with these guys on a regular basis. Eventually, it provided the dissidents a measure of protection against the worst kind of brutality.

Q: Who was your political officer?

SMITH: Part of the time it was Richard Baltimore, who is now ambassador somewhere in the Persian Gulf. He developed good relations with the dissidents. The man who has been mayor of Budapest for the last ten years was one of the dissidents at the time. They weren't as well-organized as Charter 77 and others in Czechoslovakia and Poland. Much of the dissident movement coalesced in the mid-1990s around an environmental protest group that opposed the building of a large dam on the Danube River, between Slovakia and Hungary.

Library of Congress

Q: You were saying part of the environmental movement. This is the beginning of the green movement in Germany and elsewhere, wasn't it?

SMITH: Yes. The Green movement absorbed a lot of the dissidents. That was a politically acceptable way of opposing the government on other issues as well.

Q: You were saying something about the Danube?

SMITH: There was a project to construct a large dam between Slovakia and Hungary. The Hungarian environmentalists opposed the dam's construction on the grounds that it would destroy a lot of virgin land in the region of the Danube bend, and would add to the river's pollution. They were very much opposed to it. The Czechoslovak dissidents were more intimidated by the secret policy than were the Hungarians. After the dissidents coalesced on environmental issues, they began to look for other issues on which to oppose the Party. Meanwhile, there was a lot of rot going on from within the communist parties in all of Eastern Europe. It was the communist party of Hungary that really allowed East Germans to start leaving illegally into Austria in 1988-89. The fall of the iron curtain and of communism in Eastern Europe gained considerable momentum in Hungary. The communist party just decided that it could no longer resist the urge of its citizens to travel freely to the West. It was common in the '70s and '80s for East German and West German families that had been divided by the country's separation to come to Lake Balaton or someplace else in Hungary, so they could vacation together. At the end of the vacation, the East Germans were forced to return home. It was quite a sad situation, and it got to the point where West Germans used to try to smuggle their relatives into the West through Hungary. A lot of them got caught and served time in Hungarian jails. Their East German relatives would be sent back to Berlin and also be imprisoned. It caused a lot of tension between Hungary and West Germany.

Q: During your time this was going on?

Library of Congress

SMITH: Yes. But things became even tenser after I left, and the willingness of the Hungarians to enforce the Iron Curtain began to weaken. About two years after I left, the decision was made by the Hungarian Communist Party not to stop East Germans from leaving through the border at Hegyeshalom, the western gateway with Austria. The East Germans protested, and Moscow protested, but the Hungarians said that they could no longer stop the flight of other countries' nationals. Too many people wanted to go, and I guess the Hungarians felt like that was an impossible job. Or maybe more of them stopped believing in the communist system. It's hard to know what the motivations of the leaders were. But that was the end of communism in the Warsaw Pact. Within two years, the Soviet Union itself collapsed.

Q: During the time you were there, '83 to '86, was Hungary playing much of a role in the international world, with the international communist world, or with the greater world?

SMITH: No. They were not playing much of a role. There were still large numbers of Soviet troops stationed in Hungary. About 80,000 Soviet troops were in the western part of the country. There were about an equal number in Czechoslovakia and in Bulgaria. But Hungary was not an influential player in world affairs. The Soviet leadership still feared a repeat of 1956 if things were loosed up. Moscow called the shots until the opening of the western border in 1989. World attention was not as focused on Hungary as it was on Poland in the 1980s. In Poland, there was the Solidarity Movement, and Poles were more likely to go to the streets and carry out serious protest. But the secret police, even in '83-'86 were still a pretty substantial force in Hungary. Externally they did pretty much what the Russians wanted them to do.

Q: Were they at all involved in hosting or training terrorist movements?

SMITH: Yes. I'm glad you mentioned that now. They hosted Middle East terrorist groups and allowed them to operate fairly openly. The Libyans had a training center in Hungary. The second secretary of the Libyan embassy lived about four blocks from us. It turned

Library of Congress

out he was one of the guys who was training terrorists from both Europe and the Middle East. In mid-1985 there were large bombing on the same day at the airports in Rome and Vienna. Quite a few people were killed in both places. It was all orchestrated from Budapest out of the Libyan embassy. The Hungarians knew all along what was going on. We were suspicious of the weekend activities at the Libyan Embassy, but we didn't have any hard evidence. On weekends a lot of cars from Germany, driven by people who looked like they were from the Middle East, would come to the Libyan embassy and also to one of the other Arab embassies, I've forgotten which one. In any case, the Libyan embassy seemed to be the center of attention.

The bombings in Rome and in Vienna brought to an end the terrorist operations of the Libyans. In Vienna, one of Hungary's most famous comedians had been paralyzed in the airport bombing. That angered a lot of people in Hungary, and it brought condemnation of Hungary from Austria and Germany. The West finally had hard evidence that terrorists were being trained in Budapest. The Libyan Second Secretary was asked to leave Hungary, but nothing else happened to him. His wife did not want to go back to Libya and put up a fuss. She told the entire diplomatic community that it was unfair that they be sent home. The whole thing disgusted the rest of the diplomats, and we let the Hungarians know how we felt about there complicity. The Soviets were heavily involved in terrorism throughout Western Europe, particularly in Germany and they were certainly complicit in the activities of the Libyans. The East Germans were also doing a lot of terrorist training in an attempt to de-stabilize West Germany. We were able to get a lot of even more firm evidence after the fall of the Iron Curtain.

Q: How about the Jewish community there? How did it stand?

SMITH: The Jewish community was quite small. About 80% of Hungarian Jews had been exterminated by the Nazis and their Hungarian Arrow Cross supporters. During both of my tours I worked to help the Jewish community on issues of importance to them. During my first tour in Hungary I was asked by the American Jewish community to go to a town

Library of Congress

called Saytoralyaujhaj, on the Slovak/Hungarian border. It was located up in the northeast corner of Hungary. Before WWII, the region had a large community of the Satmar Jews, and after WW II, most of the survivors lived in New York City. A Rabbi Teitelbaum, who was venerated by the Satmar Community, was buried at Saytoralyaujhaj. Since all of the town's Jews had been killed by the Nazis, the town wanted to convert the cemetery into a park. Since 1945, the cemetery had been allowed to grow over with grass, and all the headstones were simply leaning against a rock wall. Of course the Satmars in New York wanted to restore the cemetery. As a result, I got to know the Chief Rabbi of Budapest, who had been appointed by the Hungarian Government, rather than by the Jewish community.

Many local Jews considered him to be a collaborator with the communists and a spy for the government. Of course, he said that being a Party member helped him protect the interests of the Jewish community. In any case, we made two trips to the town and met with the town council. Eventually, we worked out a deal where half of the old cemetery would be made into a park, and half of it would be converted into an attractive memorial cemetery with the old rabbi's tomb. This solution allowed people from New York to visit the cemetery and pay their respects. Since nobody knew where the scattered gravestones belonged, they used them to decorate the cemetery half. It was one of the unusual, but interesting experiences that occurred during my first tour. I felt good to be able to help resolve a sensitive issue to the satisfaction of both communities.

During my second tour, the Jewish community had gained more self-confidence and unregistered Jews started to come out of the closet. They sought identity with the others. Jewish leaders even began to do some rabbinical training for young men and offered Hebrew studies to others. I remember visiting another rabbi, whose name I can't remember. He was an impressive scholar who had lived through the hell of the Hungarian Holocaust, but insisted on staying in Hungary. He became very active in bringing together young Jews and in writing the history of the Hungarian Jewish community. There remained a lot of division between the Jewish community that collaborated with the communists, and the

Library of Congress

Jewish community that hadn't. This is still a problem in many of these countries. I found the same divisions later in Lithuania. The Jewish community also tends to split along religious lines, with some conservatives refusing even to recognize the others as Jews. In any case, the synagogue in Budapest has now been restored with the help of American Jews and I think it is now one of the largest in Eastern Europe.

Q: How about the Catholic community? Obviously you're over the patch for a good number of years now when Cardinal Menzetti was there. Back in this '83 to '86 period?

SMITH: Catholics could go to church as long as they didn't hold high positions in the government. Otherwise, in the '70s if you were seen in church you would have serious problems. Somebody would visit your boss at your factory, and say that you had been seen in church. You would be warned not to return to church if you wanted to keep your job. At the least, one would lose any chance of promotion.. There were some prominent non-party people who would make a political statement by visibly attending religious services. By the 1980s, many Catholics and Protestants had become bolder. Even some secular people would attend services at the St. Matyas Cathedral just to thumb their noses at the authorities. It became an accepted form of demonstrating Hungarians nationalism and anti-Sovietism. Sunday services at the St. Matyas Cathedral ended in the 1980s with everyone singing the national anthem. It was stirring to participate, even for someone as non-religious as I was. Watching the crowd sing the anthem, which starts by calling on Hungarians to "stand up for their country" inside that cold cathedral with secret police taking notes of who was attending, was an experience I will never forget. It made Hungarians feel pride in themselves. Gradually, government retaliation lessened and people began to get away with church attendance, even party members. The Communist Party lost its zeal for fighting religion. It was just another sign of the rot in the communist system.

Q: Were you getting the feeling that sort of the strict communism and all was running out of steam?

Library of Congress

SMITH: Yes, you could see the rot taking place, but I didn't know how deep it really was until later.

Q: But were we saying that, or was it in hindsight that you...

SMITH: No, I think we were saying that they were running out of steam. Obviously they weren't as ideological and dedicated as they were. We felt there were more people who really didn't believe in Marxism-Leninism any more. Most of the Party was made up of opportunists. In the Embassy, we reported the change. There were a few believing members of the leadership, such as Party leader Janos Kadar, but not many people two layers below him in the Party were convinced communists. They were determined to hold on to power, and Moscow was just as determined to see that they held the communist system together and remained loyal to the Soviet leadership, even if ideology was not enforced. The Soviet leadership had Hungarians and Russians reporting to them from almost every organization in the country. Of course, the tendency of these people was to tell Moscow what it wanted to hear, so the Soviet leadership did not understand the degree of ideological rot that was taking place throughout Central Europe. Although the press was always controlled, there was a handful of journalist who always tested the limits of orthodoxy. One of the most courageous was a friend on mine from the mid-1970s. He was outspoken on economic policy even in the 1970s, and even more so in the 1980s. In about 1993, he came to the U.S. and worked for the World Bank. But even in the mid-'70s, he wrote articles calling for changes that would move the country in the direction of a free market. By the mid-'80s, he was joined by other economists in calling for market reforms. The Hungarian Academy of Sciences became a haven for closet free-market economists. It became almost impossible in the mid-1980s to find a Hungarian economist who really believed in the centralized state system.

Q: What about the universities and the young people. You mentioned one of the people you were talking to said this is the way my kids are talking. Was there a divide?

Library of Congress

SMITH: A generational divide was developing fairly fast. Even the Communist Youth League (KISS) found it difficult to mobilize young people. The disaffected young began to demonstrate every year on the birthday of Kossuth Lajos, a poet and hero of the 1848 revolt against the Austrians. The fact that he died fighting foreign control made him an even more powerful symbol for the youth. Every year on his birthday, a lot of young people would illegally congregate at his statue. The secret police would jail a few of them and take down the names of the others. Finally, the Party decided to have KISS try and co-opt the anniversary ceremony. It was a giant flop. During my first tour, the secret police were tough on the organizers. The disaffection of the youth, however, was just too great to continue the same degree of repression in the 1980s. On May 1st, people were given the day off and told to march through town waving red flags and communist banners. By the 1980s, however, the crowds became thinner and less animated. The erosion from within had started, but the Party did not have the stomach to crack down as hard as they had in the 1970s. In the U.S., many Americans believe that Ronald Reagan single-handedly brought down the Soviet empire. What nonsense. He did some things which may have slightly helped speed the collapse of the Soviet Union, but only fractionally. The system was rotting from within. Much more important in weakening the communist bloc was the psychological effect of increasing travel to the West, and the fact that people could see the slow economic growth of their countries compared to those in Western Europe. Another factor was the stagnant and aged leadership coming from the Soviet Communist Party. Brezhnev did more to topple the Soviet Union than any Western leader. In addition, the effect of Pope John Paul in killing off communism should not be underestimated.

However, the state continued to control most aspects of life in the mid 1980s. There were certain limits. Dissidents would be pulled out of their cars and beaten up from time to time. The mother of one dissident, who was a good contact of the Embassy, was murdered in very mysterious circumstances. That happened just before I transferred out in 1986. She obviously knew who the person was, or that the person represented one of the police units. Was it because of his activities, or was it just a random killing? I don't think it

Library of Congress

was just a random killing. That was a very rare occurrence in Hungary. I think that there were still people within the secret police who were willing to do that kind of thing in the mid-1980s. I have friends who believed that the secret police had become a group of more enlightened individuals. Yes, there were some enlightened people who understood the problems of the Soviet system, but Russians like Vladimir Putin never stopped being thugs. They could do whatever they wanted to a person, and they did. It was a very rough time for many people, right up to the collapse of the Warsaw Pact.

Q: Did we have any programs such as scholar exchange or exchange programs or anything like this?

SMITH: We carried out some scholarly and youth exchanges. USIA was able to get people who were not obviously politically oriented. Some scholarly exchanges dealt with historical issues, or the hard sciences. There were some who were given the Party's permission to go to the U.S. The West Germans were active, particularly through the Friedrich Ebert Foundation and the Konrad Adenauer Foundation. They were fairly effective in demonstrating to Hungarians the benefits of democracy, as practiced in West Germany. The Austrians were also active in trying to show people the benefits of market democracy. The Embassy had a Cultural Affairs Officer, John Menzies, who was terrific. He would use his home leave and vacation time in the U.S. to secure scholarships for Hungarians from universities around the U.S. He would then browbeat the Hungarian authorities into letting the students travel. He did an enormous amount of good things, much of it on his own time. In fact, he later single handedly started the American University of Bulgaria. He got the billionaire ethnic Hungarian George Soros to give him money to fund the university. I got to know Soros, when he started his first Open Society Institute in Hungary. He is now world famous, but I had little idea of his wealth or influence when I drove him around Budapest in my old battered VW. It didn't seem to bother him. He was a very nice guy. I saw him a couple times later and we discussed his philanthropy in Eastern Europe. He and Ambassador Salgo didn't agree on many things, so I ended up helping Soros on my own time. He was a tough negotiator with the Hungarian Government. They knew that he

Library of Congress

could put a substantial amount of money into Hungary and they eventually allowed him to bring in Western textbooks and education materials.

Q: How about the universities? Were we dealing with them at all?

SMITH: I had limited dealings with the universities. It mainly fell to the Public Affairs Officer, who was an American born in Hungary. He did a great job and is still a close friend of mine. His Hungarian language skills were good, and he understood the mentality of the Hungarians of the 1980s much better than our Hungarian-American ambassador. It again illustrated the advantages that a trained diplomat usually has over a person who was given the job for political reasons.

Q: Now did the theater or the artists, often this is a group within the communist society, as long as they kept within certain bounds or display a certain independence and all that?

SMITH: There's some of that. My artist friends kind of kept their heads down when it came to the communist authorities. They weren't really trying to buck the system, but neither did they support it. In the '70s you had to continually demonstrate, no matter how phony, a positive attitude toward the regime. By the 1980s, artists and many academics just didn't have to demonstrate a negative attitude to the regime in order to be left alone. The friendship of my many artist friends was very important to me. They gave me a better insight into the society and the thinking of Hungarians. Sitting around at night talking with them was good for my language skills. None of them spoke English. Most important, I have a wonderful set of lifelong friends. I benefited greatly being able to speak their language, even if it was hell to learn.

Q: Were you seeing the beginning of English teaching for the young people who saw this as a way to get ahead?

SMITH: A little bit. But the government was promoting German over English because of the country's Austrian and German business connections. That's still the case today. For

Library of Congress

example, Hungarians are not as good at English as the Poles. Poles are really into English study. I was in Poland two weeks ago, and it's amazing to see more and more speaking good English. Everybody is trying to learn English. Hungarians are excellent linguists, but they don't feel as close to the U.S., politically or culturally, as do the Poles.

Q: How about Russian?

SMITH: Eight years of Russian language training was obligatory in Hungarian schools. Everybody had to study Russian, but few spoke it well. It's not like the Baltic States, where everybody had to speak Russian in order to study or work. In the former Soviet Union, it was the only official language and you spoke it all day long. As a consequence, they speak Russian perfect in the Baltics, whereas in Hungary, Poland and the Czech Republic everybody studied Russian, and only a few became good Russian speakers. Some Hungarians went to Moscow for advanced studies. Many of them married Russians. One way of getting ahead in the communist party was to study in Moscow and marry a Russian. In these very male dominated societies, bringing "a good Russian woman" back to Hungary or to Prague showed your commitment to Marxism-Leninism. Of course, many who went to the Soviet Union were at an age where it is easy to fall in love, particularly when you are lonely and away from your home country for a long period of time. Sounds like a description we could give to American diplomats.

Q: What about Romania? Did it play any role?

SMITH: Romania was the country that Hungarians loved to hate. The hatred was more visceral than intellectual. After all, the average Romanian had nothing to do with the Treaty of Trianon, that had awarded much of former Hungarian territory to Romania. Hungarians didn't hate the United States, even though the official position was very anti-American. At a personal level they strongly pro-American. But with the Romanians, they really felt it in their bones. The Transylvanian area that they lost as a result of the Treaty of Trianon was considered the "heart and soul" of the real Hungary.

Library of Congress

Q: When was the Treaty of Trianon?

SMITH: The Treaty was one of the re-drawings of European boundaries that was imposed on the losers of WW I. I think it was signed in 1919 or 1920. Since Hungary was part of the Austro-Hungarian Empire during the war, they suffered a huge loss of territory, even though they were reluctant participants. Hungary had been twice the size before WW I. Hungary lost the northern part of Yugoslavia and most of what is now Slovakia. Romania's taking of Transylvania really hurt the most, although there was continued resentment of the Serbs, Croats, Slovaks and Czechs by Hungarians because of territorial loss.

That reminds me that in 1980, between my two tours in Budapest, I was recruited to go to Romania with two Congressional staff members. The purpose was linked with the question of whether Congress should re-extend Most Favored Nation trade treatment to Ceausescu's Romania. I was the Hungarian speaker who was assigned to accompany the group. We also had a political officer from the Embassy in Bucharest who spoke good Romanian. We traveled around the country, mainly in Transylvania, in a Romanian made Dacia, driven by the Embassy political officer. For a week my job was to try and evade the almost ever-present secret police (Securitate) by jumping out of the car before it came to a halt, go into schools in order to see what languages instructions were posted on the walls, and to talk to people on street corners.

Ceausescu didn't like this idea of our visit. In fact, he hated what we were doing. Yet he knew that if Romania was to be granted Most Favored Nation (MFN), he had to allow us to do this. It was a very delicate mission, and at times we had bizarre experiences. I had to go into bookstores to see in what languages books were being sold. On several occasions, I had Hungarian-Romanians grab me by the arm, pull me into some back alley and up stairs into an apartment with the shades drawn, just so they could whisper to me out of the hearing of the secret police or their informants, what was being done to silence the Hungarian minority. The Hungarian community in the United States had lobbied Congress not to grant Romania MFN, charging that the Romanians were engaged

Library of Congress

in cultural genocide against the Hungarian minority. They charged that Ceausescu was trying to eliminate any remnant of the Hungarian culture.

At that time, the U.S. had enough political influence to be able to force the Romanian authorities to allow us to meet in Tergu Mures with Karoly Kiraly, who was the number one ethnic Hungarian dissident. He had been put in prison for several years for his outspoken views, but when we were there he was working in a fruit canning factory. He was only alive because he was well-known by all Hungarians abroad and was a former deputy prime minister of Romania. When traveling to Romania from New York, I was approached in the departure area at Kennedy airport by two Hungarian-Americans. They had come to show me the latest letter received through dissident channels from Kiraly. I have no idea how they were able to get into the departure area at the airport, but they were able to communicate indirectly with Kiraly on a regular basis. It was a very bizarre, but politically hopeful experience.

In any case, I felt that it was a great opportunity to meet with this very courageous person. It took extraordinary personal will to openly defy a leader as murderous as Ceausescu. Kiraly talked to us at the canning factory while three or four secret policemen sat there taking notes and watching everything. I invited him and his wife to have dinner with us that night. Although we thought we were going to have a private dinner with him, when we arrived at the restaurant we were surrounded by people from the local "friendship society." They were all secret policemen. Even though they insisted on sitting at the table with us, we had dinner and talked fairly openly about ethnic issues. I had to be the interpreter and it was a real struggle to keep my mouth shut when one of the police agents tried to correct Kiraly. It was one of the most interesting experiences I ever had. After that night, things got more difficult for us. During the week before, I was able to collect a lot of information on the Hungarian minority from ordinary people.

Following that dinner, however, the Romanian secret police kept me boxed in, and harassed everyone we met with. Ceausescu personally had the secret police try to tie

Library of Congress

our hands. Everywhere we went after that, we were closely followed. We now had to declare our proposed contacts in advance to the foreign ministry. The poor guy who was the American desk officer in the foreign ministry was under enormous strain because of his role in putting together our trip. He thought that his life and the future of his family were at stake. He was right. He later defected to the United States and his name was put on a Romanian hit list.

Transylvania was an interesting area, one where there was historically a lot of religious ferment. For example, the Unitarian religion comes from Transylvania. It was a big area for Protestantism in the 18th century. On the other hand, ethnic Romanians were about 99% Orthodox Christians, at least those who professed any belief. The Romanian Orthodox Church was much cozier with the Ceausescu regime. In Bucharest, we had met with Orthodox religious leaders. They faithfully gave us the “party line,” although I shouldn't be too hard on them. Many Orthodox priests had been killed or imprisoned by the regime and some compromise was probably necessary to preserve the Church. In any case, in Transylvania, most of the religious leaders (all non-Orthodox) with whom we met had been visited in advance by the secret police and their offices contained police listening devices. It was sad to see how they wanted to talk openly, but knew that the price would be too high. We could leave the country when we wanted to; they could not.

However, one night we met with the Catholic Bishop of Romania, an elderly priest who had just resigned because he had terminal cancer. We also met the new bishop, who had only recently been released after being in prison for about 13 years. As the Hungarian speaker, it was my job to talk with them. The new bishop took me for a walk at night into the most remote area of his garden. He talked about what was happening to his church members and priests; including who was being put in jail and what was happening to people who attended religious services.

As it turned out, however, many Hungarians in the U.S. had overstated the extent to which the Hungarians were being treated more badly than the general Romanian population.

Library of Congress

Everyone was being treated badly under Ceausescu, except for the military, police and informers. Romania was a terrible place for anyone else. Book stores were nothing but piled stacks of books on Ceausescu. The cult of the personality had reached sickening proportions. After our trip, however, we came under a lot of pressure from some Hungarian organizations to produce a report that backed their exaggerations. It was difficult to produce an objective report, but we did the best we could to accurately reflect what we had seen. In the end, Congress granted Most Favored Nation to Romania. We received protests from the Hungarian community who felt that we hadn't been objective enough about the liquidation of Hungarian culture.

Q: Back onto Romanian/Hungarian relations. Did this crop up at all?

SMITH: All the time. There's a phrase in Hungarian that one constantly heard which means, "no, no never (nem, nem, soha)." It means that Hungarians will never accept the Treaty of Trianon, and that someday they would get that territory back.

Q: No, no never?

SMITH: Yes, no, no never. So it was an emotional issue among Hungarians and Romanians. The Romanian Embassy in Budapest always felt embattled. My Romanian counterpart, who I mentioned earlier, would insist on giving me the Romanian position each time we met, in order to ensure that I properly interpreted what I read about Romania in the Hungarian newspapers. In Hungary, everyone was convinced that the Hungarians in Transylvania were being squeezed to the point where they would lose their culture and their language. It is still an issue for the more conservative sides in Hungary. Viktor Orban, the last prime minister, made an issue of granting Hungarian citizenship to Hungarians living in Romania and this became a contentious international issue. Nevertheless, Hungarian-Romanian relations are now much better. I think the fact that both countries were determined to be NATO members helped. NATO made it quite clear that if a country fanned conflict with neighboring countries, you wouldn't be considered for membership.

Library of Congress

NATO also improved Hungary's relations with Slovakia, in spite of the large Hungarian minority there. Soon, Romania will join Hungary as an EU member.

In my period in Budapest, many Hungarians still hadn't accepted that Slovakia would no longer be part of Hungary. During the Cold War, the Warsaw Pact did serve to dampen these ethnic conflicts. But it is possible that the control exercised by Moscow only intensified regional hatreds. You couldn't complain openly about the Soviets, so why not the neighbors? Of course, Hungarians don't like to think about their treatment of the minorities when they were in charge. In every way, the region has changed for the better. It helps that the generation of Hungarians who best remember the Treaty of Trianon have passed from the scene.

Q: What about relations with Yugoslavia? You had this hunk of the Vojvodina in northern Yugoslavia that was very rich farmland and had been part of Hungary.

SMITH: Feelings were not as strong against the Yugoslavs, even though there was a feeling that that the Vojvodina really should belong to Hungary. There wasn't the same emotional attachment to the region. Maybe some of this was due to Hungarians being able to freely travel to the Vojvodina and visit members families there, whereas they couldn't go to Romania as easily. Hungarians viewed the Yugoslavs as more westernized. That is hard to believe now, after we have seen the behavior of the Serbs toward the Kosovars and Bosnians, but that's how Hungarians (and I) saw it at the time. During my tours in Budapest, the Yugoslav Embassy was very active. They seemed to be everywhere, and they were well-accepted by the Party leadership. The Romanians were the only communist-country representatives who were treated worse than the Americans. The Slovaks were not treated badly, because they were still part of Czechoslovakia. They were pitied because of the Soviet invasion of 1968 and the harsh repression that followed. There was kind of a hierarchy in the treatment of fellow communist representatives, with the Yugoslavs on the top, then the East Germans and Czechoslovaks, and the Romanians at the bottom

Library of Congress

Q: In a way it's different, but Kosovo is the same for the Serbs. Although Serbs don't live there really, very few do.

SMITH: Well Transylvania still has a lot of Hungarians, and that's where the revolt against Ceausescu started, ultimately bringing down the regime. It began with the open opposition of an ethnic Hungarian; a Protestant minister.

Q: While you were there up to '86 and I can't recall where it stood, were there any reverberations hitting Hungary about the Gorbachev period and all this?

SMITH: I'll always remember the day in early 1986 when I was walking down the street by the Embassy, and I was suddenly pulled aside by Janos Fekete, the Director of Hungary's Central Bank. He was a very sharp guy. He had come out of the bank to give me the news that Gorbachev, and not a hard-liner, had taken over in Moscow. He kept saying, "Great news, great news, you gotta know this. Gorbachev was made the head of the communist party central committee and not Andrea Gromyko." Gromyko had been mentioned as the leading candidate to take over from Chernenko. Fekete felt very good about Gorbachev's selection. Brezhnev had been strongly disliked by Hungarians, even by Party members like Fekete. I don't think Fekete was ever a true believer, at least as long as I knew him. He had too many free market instincts. Hungarians felt like the selection of Gorbachev was going to open things up in the Kremlin, and they were right.

Q: Were you getting the feeling that Kadar was getting past his prime?

SMITH: Yes, there were a lot of stories circulating about Kadar's health, and we knew that he wasn't going to work every day. I think he was in his mid '70s at the time, and he died a couple years after I left. He wasn't really running things, even in the mid-1980s. His authority seemed to be dissolving and people were beginning to talk almost affectionately about him as "the old man." To some extent, the same rot that was happening in Russia was happening even faster in Eastern Europe. We were seeing the same thing in Poland.

Library of Congress

In the Czech Republic, hardliners were still at the head of the communist party, as a result of being put into power by Moscow in 1968. I had been in Prague in 1975, and remember it as one of the depressing places I had been to. The national spirit had been broken by the invasion of 1968. The secret police seemed to be everywhere. As many as eight secret police followed my wife and I around town, and one was placed in our train compartment as we returned.

When returning to Budapest from Prague, I almost felt like I was going back to an open society. Political freedom is relative. In 1974, I remember having a strange discussion with a Vietnamese worker. He had gone to school in Hungary years earlier, had learned the language well and had settled down there. I remember asking him when he planned to go back to Vietnam. He answered with a question. "Why would I want to go back to Vietnam when I'm living in a free country?" At the time it struck me as a kind of bizarre answer, but it's the way he saw it and there was a lot of logic in it.

I remember an experience I had with a North Korean. North Koreans could never be seen having contact with Americans. On one occasion in the 1970s, I went into the parliament to sit down and listen to a debate on some issue. I sat next to a person who turned out to be a North Korean diplomat. After I introduced myself, the guy immediately got up and went to sit several rows behind me. He was only protecting himself from future trouble. On another occasion, I was at a crowded reception and a North Korean diplomat came up to me, and out of the side of his mouth asked, "Do you have your own car?" After I answered yes, he quickly walked away. Then he returned a few minutes later and asked, "how big is your flat?" I didn't dare tell him that my family and I lived in a large three story house. I told him I had 100 square meters, or something like that. He returned two more times, asking similar questions, but taking care to see that no one noticed him talking with me. He was obviously beginning to doubt the official party line. I had some similar experiences, which were all quite interesting. Russians, Bulgarians, as well as many others from communist countries viewed Hungary, in a relative sense, as a freer country than their own.

Library of Congress

Q: Well I was in Yugoslavia in the '60s and people, it depended where they came from. People came out of Italy and all, these American tourists and all, they'd say, "What a dour people these are" and how oppressed they are, and people would come out of Bulgaria or Hungary or something, and this was again in the '60s, would talk about, what a free and lively people these were.

Well before we leave here I want to make one point, you alluded to it back before ,talking about the Hungarians are genetically better than anyone else. One of the problems in using former natives of a country as ambassadors, everybody in the State Department is looking very closely for bias. And as soon as something like that comes up, it immediately tags that person as being a lightweight. In other words they're so biased they're bringing all their genetic biases into it. That they're kind of dismissed and it really reflects on your mission in that you can't overcome the suspicion in Washington.

SMITH: It is difficult for a person who grew to adulthood in another country see their original homeland as objectively as someone else. Our PAO was born in Hungary, but left as a child. He took a professional approach to his job and had a good sense of irony about things Hungarian. But he was a Foreign Service Officer who had come in through the exam system. Ambassador Salgo not only viewed fellow Hungarians too favorably, but he had no idea about what an ambassador should do. He would have been more successful if he had been willing to take advice from me and the other professionals at the Embassy. Instead, he carried a deep distrust of anyone who worked professionally for the government; a feeling too often found in successful businessmen. They assume that their skills automatically carry over into government, whereas skills developed in government have no relevance to business.

The practice of sending out political ambassadors who buy their positions is one of the last bastions the spoils system. It too often results in disaster. Many politically appointed ambassadors buy the positions because they want the lifetime prestige that the job carries. In Italy we have had a series of disastrous ambassadors. But President Carter appointed

Library of Congress

an academic, who was a specialist in Italian history (and who had an Italian wife) and he was a disaster. His ego got in the way of his job. We had a series of ambassadors in Greece who were disasters for the same reason. Professional diplomats hate the practice, but the White House (Democrats and Republicans) believe that it serves the interests of the political system and is just another reward for loyalty. In any case, Salgo later contributed another \$550,000 to the Reagan campaign, and the White House rewarded him by nominating him as ambassador to Sweden. He didn't get there, because Congressional Democrats were taking control of the Senate. They never acted on his nomination before Carter was elected President. Salgo had asked me to go to Stockholm as his DCM, but I declined his invitation. I couldn't take another three years of working under him.

Q: Well Keith, where'd you go in '86?

SMITH: In '86 I came back to Washington and spent one year in the Latin American Bureau. I was looking for a temporary change from European affairs. When asked by one of the Deputy Assistant Secretaries in Latin American Bureau if I had ever thought of returning to the region, I began to think, why not? I thought that one tour out of EUR might refresh me. I took a job as head of Southern Cone Affairs. The job turned out to be for only one year, but it was a very interesting year. I managed our relations with four new democratic countries, and it was a very turbulent time. Argentina, Chile, Uruguay and Paraguay had suddenly become democratic, since the military juntas in each country had been thrown out of office. I was able to travel to the region four times in my year in that job. In addition, I accompanied Senator Dole and four other Republican Senators to Argentina, Bolivia, Ecuador, Venezuela and Trinidad. I had an interesting time in the Latin American Bureau. I was fortunate in having a lot of good people work with me in the office and at our four embassies. My deputy was a Finnish transplant to the U.S. and she later served successfully as an ambassador. I still expect one or two more of those in that office to become chiefs of mission.

Library of Congress

Q: Who became ambassador?

SMITH: Barbro Owen. She was born in Finland and became a member of the Helsinki City Council when she was only about 18 years old. She later became a U.S. citizen and Foreign Service Officer.

Q: Let's talk about Chile, Paraguay, Argentina and Uruguay. First place, had the United States been basically an observer in these events, as you saw, or had we been an instigator?

SMITH: I think we were more of an observer. In the Argentine case, the military had become extremely unpopular, as a result of the mess they had created, both economically and in the Falkland War. In all four countries, the inhumane treatment of the political opposition also turned the population against military rule. The people wanted free elections and they got them in all four countries. Unfortunately, the U.S. had supported military rule for many years before because of their resistance to left wing movements in Central America. We were not super popular in the region. Before I took the job, however, Washington had reversed U.S. policy on military rule and supported free elections.

Q: This is in Central America against Nicaragua.

SMITH: Support by the Argentine and Chilean military for the Nicaraguan Contras was the prime reason that the Reagan Administration supported these thuggish regimes in South America. Fortunately, that policy had changed by the time I arrived on the job. The new governments were somewhat unstable, but all four of them were at least semi-democracies. Chile of course, made the fastest strides in building a solid democracy. Argentina and Uruguay came next in bringing positive change. Paraguay was still too much under the influence of the country's military. Even in Chile though, Pinochet still negotiated criminal immunity, and was able to ensure a job in the parliament for himself

Library of Congress

and some of his buddies. The democratic forces feared a new military coup if they resisted too much.

Q: Senator for life.

SMITH: Yes, Pinochet became a senator for life. Several positions were constitutionally set aside for the military. In spite of continuing military influence, however, democracy was making great strides in Chile. Through my job, I met many interesting people in the four countries and at their embassies in Washington. I spoke reasonably good Spanish and I was interviewed on television about U.S. policy on two occasions in Chile and in Argentina. This was a bit of a problem. I accidentally got caught up in the presidential campaign in Chile while I was paying a business call on one of the presidential candidates. Unknown to me, he had arranged for the Santiago press corps to come in an interview me, hoping to leave the impression that the U.S. was officially backing him. Somewhat perversely, I was relieved when he lost the election. I was very impressed by the new Socialist Party that had taken over in Chile. The new Finance Minister had earlier been a young member of the Movimiento de Izquierda Revolucionaria (MIR) in Chile, during which time he was an armed supporter of the radical leftist president, Salvador Allende. When I met him, however, he was supporting economic policies that came straight out of the Friedman School of Economics at the University of Chicago. He had become a fervent believer in capitalistic economist while serving in prison during the Pinochet years. While the new government called themselves socialists, just as Allende had, they were a very moderate brand of socialists. They supported an ambitious program of privatizing state assets, they freed up markets and broke down import barriers.

In Argentina, Carlos Menem was the elected president. He had changed the Peronist Party in a dramatic way, so that it supported free markets, rather than the corporate state model of his predecessors. I visited him twice at his offices in Buenos Aires and was his control officer during a visit to Washington. We were trying to give him advice on things like clean government, but we never had much impact on his corrupt practices. His

Library of Congress

government practiced such wide-spread corruption that it weakened popular support for market-oriented democracy.

Q: Concerning Paraguay, was Stroessner out?

SMITH: Former President Stroessner was out, and was in hiding in Brazil, where he had been given refuge. The military still had some clout in the country, and for a while there was a military president while I was there. Although the new president was elected in a semi-free election, his military cronies had helped him win office. In Uruguay, there were two large traditional parties, the Colorados and the Blancos. They seemed to alternate in winning elections. At least they were democratically elected. The question in all four countries was what to do about the military. Many officers and enlisted men had been instrumental in the kidnapping and killing of thousands of innocent people, particularly in Uruguay, Argentina and Chile. Thousands more had been imprisoned. Moving too fast in bringing the military to justice might foment a new coup against the democratic governments. It was a serious dilemma for the new leaders.

With Chile, the U.S. still had to grapple with the lack of justice regarding the deaths of two people who'd been blown up in Washington by Pinochet's intelligence services. We thought we knew who was responsible, but it was difficult to get the accused extradited. We were never able to do so while I was there, but I think some kind of justice was served later on. I believed that they were tried and imprisoned in Chile. As I mentioned, during this period, I traveled around Latin America on one of the "Air Force One" planes with Senator Robert Dole and five Republican senators. It was interesting to see which senators worked when their constituents were not watching. Dole was very good. He put a lot of effort into making the trip a success. Senator Chip Bond from Missouri also worked hard. I enjoyed getting to know him. Then there were some who weren't so diligent. A delegation member was Senator Trent Lott, who didn't have a clue about what Senator Dole was trying to accomplish, nor did he care. I was very annoyed with him.

Library of Congress

I took every one of the senators aside and tried to talk to them about the Foreign Service and give them a better idea of what we doing. I saw the trip as an opportunity to dispel some of the myths about the Foreign Service. Trent Lott was just not interested. He told me that there shouldn't be any career ambassadors, nor even career deputy assistant secretaries. He claimed that career people can't be trusted to carry out the president's wishes. This is the same thing that Newt Gingrich and Richard Pearl have been pushing since then. It was really a depressing conversation. I felt that I developed some rapport with the others. They all listened to me quietly, and most agreed with me. But Trent Lott was already convinced that we were all a bunch of left wingers, out to sabotage the president's policies. He was one of the most closed minded persons I had ever met. In any case, it was an interesting trip.

Q: You'd been out, so in a way I assume you're using your Foreign Service skills to look at power senators and all of that, one picks this up after a while of doing this. How did you find ARA at that time?

SMITH: ARA was actually in pretty good shape at that time. Bernard Aronson was the assistant secretary. He was on top of the issues and a real master at dealing with Congress. He was also very collegial in his approach to management. Aronson had come out of the U.S. labor movement. We had a group of competent Deputy Assistant Secretaries running the Bureau. The DAS that I reported to was a capable guy in terms of policy, but too often arrogant in dealing with people under him.

The prime target of our office was economic stabilization in Argentina, and trying to help turn the country from the corporate state set up by Juan Peron, to a genuine market economy. Our problem was President Menem. He said all the right things and I think he meant well, but corruption by him and the people around him was just too deeply engrained. It was quite frustrating. In Chile, the government was much cleaner and they were more successful than any of the others. Officials in Santiago were impressive and

Library of Congress

there was little sign of corruption. Tony Gillespie was our ambassador in Santiago, and he had a remarkably positive impact on the country's leadership.

There has always been considerable rivalry between Argentina and Chile. I remember the Chilean Finance Minister telling me that there were two answers to Argentina's economic problems. (note. I've heard this since regarding other countries). "One solution is technical and the other a miraculous solution. The technical solution is that God comes down and gives the Argentines \$60 billion in cash so that they can pay off their foreign debts. The miraculous solution is that the Argentines adopt the work ethic." There was some truth to it. The Argentines thought they were so much better than other Latin Americans, in part because they considered themselves more "European" than the others. This arrogance by the Argentines really cost them a lot of support in Latin America and prevented regional cooperation from developing.

Q: Having got caught up in the whole collapse of the whole system essentially, starting in November of '89..

SMITH: November of '89 was a key period that changed the direction of my career. After spending a year in the Latin American Bureau, the Berlin wall fell and Soviet control over Eastern Europe collapsed. We watched television at home every night as events unfolded in Berlin. It was an emotional time for me and for many others who had lived under communist regimes in East Central Europe. In June of 1990, I was approached by Ambassador Robert Berry, who was putting together a team to work on East European assistance. The group was to work directly under Deputy Secretary of State, Larry Eagleburger. Congress had only shortly before passed the Support for East European Democracy (SEED) program, with an initial appropriation of \$300 million to provide U.S. assistance to Hungary, Czechoslovakia and Poland. The objective was to give these countries a hand in converting their communist systems to democratic market economies. We were somewhat naive in thinking that the relatively small amounts of money we could give them would change things rapidly, but it did help these countries somewhat with

Library of Congress

the painful transition. The SEED program was only about one-twentieth the size as the Marshall Plan had been. But it was exciting adventure for all of us who were involved in the program. Sometimes, however, it was quite confusing for the proposed beneficiaries.

Q: Well you did this from when to when?

SMITH: From mid- 1990 to mid-1992, I worked under Barry and Deputy Secretary Eagleburger.

Q: I've interviewed Bob Berry and we served in Yugoslavia together at one point, as a vice counsel. You've already explained a bit, but what were you specifically doing?

SMITH: At first, I was given the task of drawing up a long term plan concerning economic and democratic development activities that the U.S. should undertake in Hungary, Poland and Czechoslovakia. We tried to differentiate between economic restructuring, democracy building, and education/training. Also, I was asked to oversee much of the activities in Eastern Europe of USAID, our assistance agency. Because USAID had had no prior experience working in Eastern Europe and State had little experience in delivering foreign assistance, it was a challenge for everyone. Our office was charged with setting assistance policy, and USAID with transforming the policy into effective assistance programs in the three countries. Not surprisingly, USAID had its own ideas concerning what should be done. Many USAID people didn't even want the U.S. to be involved in Eastern Europe, because it was not one of the world's most poverty-stricken areas. Some of the USAID people were not comfortable giving money to what they saw as a political program. Those in the USAID leadership, however, were very much on board with the SEED program and they were a pleasure to work with. I learned a lot regarding development issues, and I hope they learned something about Eastern Europe from me.

The SEED program's budget, at least for the first three years, was approximately \$350 million. We had to make decisions quite rapidly because the situation in Eastern Europe would not wait and we knew that Congress would not appropriate large amounts for

Library of Congress

more than a few years. It was particularly interesting to deal with environmental and energy issues and to work with people from the Environmental Protection Agency (EPA). USAID energy specialists assisted with energy efficiency programs. Eastern Europe had been one of the most energy wasteful regions in the world. Under communism, no one tracked the cost of individual energy consumption. We provided assistance to journalists' associations in Poland and Hungary. We tried to avoid giving balance of payments support to governments, but we did set up enterprise funds, that provided loans to small and medium sized enterprises. We had a \$250 million enterprise fund in Poland alone. I think it was very successful. It has now been liquidated and the funds turned over to the Polish American Freedom Forum, who are engaged in a terrific job of outreach to the people of Ukraine and Belarus, and to Russians in the Baltic enclave of Kaliningrad. I visit the Forum in Warsaw from time to time. During the early 1990s, we established several enterprise funds in Hungary, Czechoslovakia and the Baltic States.

Eagleburger and Bob Barry were convinced that the assistance effort would only be needed for 2-3 years. I was proven right was when I told them that the job could not be done through a three year program. It was going to take several more years to make the changes irreversible. Some of our programs were excellent. Other projects were less successful. One of the continuing policy questions revolved around how much assistance guidance we should take from the countries themselves. Generally, there was a sense that the new leaders didn't know what they needed, so we would simply inform them about the programs we would support. Looking back, I think we should have listened more to local officials. Nevertheless, I remember going to Poland on one occasion to talk about our assistance program with local officials. I met with three different government ministers and each of them thought that they should be running the assistance program in their country. They had three very distinct ideas of what we should be doing. So it's hard to say that we were totally wrong and they were totally right. It's a very complex issue. Years later, I worked in the Baltic States and had to deal with our assistance programs as charge# and ambassador. Ironically, back in 1992, I helped establish the whole U.S. assistance

Library of Congress

program in the Baltic States. Living in the region later on gave me an opportunity to see what had worked and what had not. Economic and political development has always fascinated me, and I continue to work on these issues even though I am no longer in government.

Q: So many organizations were going into the area. Universities were sending people, religious organizations were, foundations, different government groups. In a way I would think that this would get complicated.

SMITH: Our job was to try to coordinate U.S. funded or sponsored activities. In fact, our office was called the Coordinator's Office. At times it was difficult to coordinate the activities of the private sector, even when we funded their projects. Some volunteers were extremely good. At the State Department, we would bring together government agencies, private sector workers and non-government organizations (NGOs). We tried not to duplicate what the private sector was doing. Our office had considerable authority, and Eagleburger made sure that AID followed the policy directions that we provided. Some agencies were particularly good. The Small Business Administration did terrific work overseas, as did the Department of Energy. The U.S. is particularly good at involving a lot of private Americans in overseas programs. Many volunteer organizations wanted to help the East Europeans. We often paid the travel expenses of volunteers to go to Eastern Europe. Although the U.S. did not give them a salary, we were able to find extremely capable people who deeply believed in helping out in Eastern Europe. For instance, the International Executive Service Corps, made up of retired business executives, was particularly effective. We paid their travel and living expenses to go and help re-structure companies in Eastern Europe. Not every one was a success, but most of these retired execs provided real value to inefficient state companies, and at a bargain price to the U.S. taxpayer. The Future Farmers of America also sent many good volunteers over.

During the first several years, the U.S. did a lot better assistance job than did the Europeans. I have often complained about the slowness of USAID assistance. But I must

Library of Congress

say, USAID was quicker and more efficient than its European counterpart. The EU's programs were much more bureaucratic and expensive than were those administered by USAID. Even in 2005, the EU's assistance effort is too cumbersome. In the early 1990s, there were regular meetings in Brussels of what was called the Group of 24. It was made up of member states that were providing assistance to Eastern Europe. The EU Commission was supposed to provide some coordination to every country's efforts. The big donors were the U.S., Germany, France, and the European Commission. For the first two years, the U.S. was the biggest donor in Eastern Europe, so when the Europeans complained about the U.S. effort, it was easy to point out our greater effectiveness. During 1990-91, I was part of the U.S. delegation to the Brussels meetings, but in 1992-1993, I was assigned to lead the U.S. delegations.

The head of the G24 group at the time was a German, who was not a development specialist, but he had some assistance advisors who were capable people. The British also ran a small fund of their own called the Know How Fund and it had strong backing from Margaret Thatcher. They had one person working out of each embassy who ran several small programs. They did a surprising amount of good things, in part because they also relied on volunteerism. For its size, the small British effort was much more effective than the big EU programs. Now the EU is giving money for regional structural funds, for roads and railroads. These are needed programs, but they take years to achieve a payoff.

By 1992, we had started projects in Romania, Bulgaria, Albania and the three Baltic States. In order to assess the impact of our assistance program in the nine countries, I was asked to lead assessment teams composed of representatives from State, USAID, Treasury and Commerce. We visited all of the countries and turned in reports on what appeared to be working well, and what was not. Back in 1970-72, when I was at the University of Texas, I took several economic development courses, not knowing that it would ever become useful. These courses certainly helped me twenty years later. At least I had some grounding in basic development concepts. It was a fascinating to attend

Library of Congress

meetings of the G-24 in Brussels and to see how the EU bureaucracy worked. In many ways, the EU itself was a giant economic and political development program.

Q: This is something that I still see today of trying to understand of how the EU can ever be a diplomatic power. I just wrote an email to my British colleague who's running the same type of program I'm doing in Great Britain, saying that I can't see the EU becoming a foreign policy organization.

SMITH: I don't know what to think about this, because I was in Brussels recently and there is still a lot of confusion regarding many fundamental issues arising out of the question of whether to widen or deepen the Community, or both. I think slowly and painfully a new and functioning community is being built in Europe. When it comes to foreign policy, individual countries find it hard to yield authority to the EU Commission. The French and British certainly don't want to give up their independence in the foreign policy area. The EU is a work in progress and the U.S. should be careful in giving free advice to the Europeans over community structural issues.

Q: Of the countries you were dealing with, any particularly where you felt we were making whatever we were doing was really doing something some places where it just didn't take hold?

SMITH: Yes. We were trying to do too much with too little money, particularly in countries like Romania, Albania and Bulgaria. There also weren't enough skilled people in those countries. We expected them to develop at the same rate as Hungary and Poland, but they were too far behind the others in social and physical infrastructure. Our assistance didn't make enough of an impact the first few years, except in Poland, Hungary and Czechoslovakia. Poland had some superb economists and the country was blessed with a high level of education. On the other hand, the hero of the Solidarity Movement, Lech Walesa, didn't have a clue about how to transform the economy. He said some of the most

Library of Congress

idiotic things about economic development, but I still consider him a great hero for helping to overthrow the communist system.

Fortunately, Poland's Deputy Prime Minister, Leszek Balcerowicz, was an enormously talented economist. Today, he is governor of the country's Central Bank. He is a brilliant guy and he really pulled the economy together in Poland. The country had a core of good economic leaders who were able to bring about reform in spite of the lack of economic training by most of the Solidarity leaders. I attended a meeting in about 1991 in Washington with President Walesa and a group of American companies. Walesa kept insisting that U.S. companies should feel compelled to invest in Poland in order to keep communism from returning. Well, that kind of talk would not inspire many businesses to invest hard cash in Poland. Nor did Walesa let any of his talented ministers explain the potential financial benefits to foreign investors. Fortunately, foreign investment did flow in, but not for the reasons given by Walesa.

I led a U.S. delegation to Tirana, Albania in 1992, as part of the G-24's opening of an assistance program to that very backward country. It was tragic to see the poverty and devastation that faced the country after 50 years of the most primitive communist regime on the earth. Envar Hoxha was so paranoid that he had 600,000 military bunkers build in order to protect Albania from outside invasion. The money spent on the bunkers could have provided a decent apartment or home to 600,000 Albanians. I was the chief U.S. representative at the meetings. At the government's official dinner for the visitors, President Sali Berisha put me at the head table. He left the EU people in another room even though it was rude and short-sighted politically. I was very uncomfortable with this, but it did demonstrate why Berisha was considered the most pro-American leader in Europe. Unfortunately, a few years later Albania had a short, but deadly civil war, made worse by Berisha's actions, and things deteriorated badly for about the next three years.

We had Peace Corps volunteers in all of these countries. The Peace Corps came in in a fairly big way. It's hard to measure a Peace Corps volunteer's work, but I believe that they

Library of Congress

had a positive impact on the countries. I have a stepson who's a Peace Corps volunteer right now in Honduras, and he's always asking himself, "am I really making a difference?" I think he is, but it's hard to really quantify it. Some of the things volunteers did inspired local governments to look at new ways of doing things.

Fortunately, we were assisting Central Europe, an area where Americas were automatically assumed to have good intentions. These countries already had strong educational systems and more advanced social and industrial infrastructures than in third world countries. For this reason it was easier to help Central Europe in the early 1990s than it was to assist Latin America in the mid-1960s. Reform would have been even faster if we had been able to assist these countries for a period of ten years. But there was too much political pressure on us to declare success and leave.

Q: Well, you left when?

SMITH: Well, I left the Coordinator's Office after two years and went to head the Policy Office in the European Bureau. This was a DAS level position directly under Tom Niles, the Assistant Secretary of State for European Affairs. I continued to maintain the G24 hat for the next year. Niles was a thoughtful policy manager and was well liked. I had an excellent deputy in Jon Gundersen. The bureau's public affairs office was co-located with us, and after a year in the job Niles asked me to supervise that section as well. I felt a little uncomfortable doing it because public affairs had been managed very effectively by Maggie Pearson, who knew much more than I did about the job

Even though I was theoretically her boss, I let her run things, with almost no supervision. I was often occupied with on-going bureaucratic disputes between various parts of the Bureau. For instance, the Office of Soviet Affairs pretty much ignored everyone else and wouldn't pay attention to broader policy advice on Europe that we would give the bureau, even if it only tangentially applied to Russia. Our office was theoretically responsible for policy issues arising from Vladivostok to Iceland. We tried to concentrate on a few

Library of Congress

big questions that effected U.S.-European relations. Most issues were best left to the country experts. After I was in the job for a year, Clinton was elected and he brought in as an assistant secretary a New York lawyer who had no idea what he was doing. I've forgotten his name. He was a very nice guy who didn't have a clue concerning foreign policy formulation or diplomacy, let alone about what the role of the European bureau. He lasted for about six months.

Someone had suggested to him the names of some Foreign Service Officers to be his deputy assistant secretaries. Unfortunately, most of them were young, very ambitious and had almost no managerial experience. They seemed to concentrate on keeping the Assistant Secretary isolated from the rest of the bureau. It was very hard to get papers from other offices in the bureau read by the assistant secretary. It was not a good time for the European Bureau. It was also evidence of how little managerial training Foreign Service personnel received previous to the late 1990s. Under the Clinton administration, there was considerable unhappiness in the bureau with the administration's policy toward the Balkans. Unrest in the Bureau began shortly after it became clear that the U.S. would not react to Serbian attacks against the Slovenians and Croatians, and it became worse with the murderous attacks against the Muslims in Bosnia.

Most of us favored a more aggressive policy to stop the Serbs, but Clinton was unmoved until things got badly out of hand. He had been elected on a platform almost exclusively focused on domestic economic issues, and for the first year, foreign policy was pushed to the back of the government's agenda. Several of our brightest officers resigned in protest over Bosnia policy. Colin Powell was the chairman of the Joint Chiefs and he was determined to keep the U.S. out of any military action, and he even opposed threatening to take military action against the Milosevic Government.

He did everything he could to sabotage the inter-agency process. There were several interagency committee meetings where it was decided to draw a line against Serbian murder and mayhem, and various military options were put on the table. After almost every

Library of Congress

meeting, Powell would give a press conference and state flatly that any U.S. intervention would take 600,000 troops, and get the U.S. bogged down in a Vietnam-style war. Then, within two hours of Powell's press conference, Slobodan Milosevic would come out and say that if the Americans sent troops into Bosnia, they'd have to send in 600,000 troops and they'd get bogged down in a Vietnam-type war. There was a lot of hard feelings in the European Bureau about Powell. He would undermine every interagency meeting that supported militarily action against Serbia, no matter how limited. I assume that it was his reaction to the trauma that pervaded the military after the Vietnam War. But a lot of innocent civilians died as a result of U.S. and European inaction.

Q: Was your office pretty well tied up with this Bosnia business?

SMITH: We were sideline players on Bosnia. The person who was most involved was one of the DASs, Ralph Johnson. He worked night and day on the issue and had come around early to the view that Milosevic would only react to military pressure. Ralph was a first rate guy and a pleasure to work with. Meanwhile, I continued to have to contend with the young "iron guard" around the Assistant Secretary. Ralph was the only one who included all elements of the bureau in his decision making.

Q: It's interesting because usually the pattern is that a political appointee will come in and bring with him or her a series of young people, staff, assistants, or anything else, this happened under Madeleine Albright and others, who want to control everything and shut down the lines of communication, but not usually with professionals.

SMITH: In this case, most of them were professionals. One exception was a young guy that he brought straight in out of Harvard. Ironically, he turned out to be a terrific addition and was good to work even though he was brought in as a "political reward" to his family. He was bright, but understood what he didn't know. At the time, his father was ambassador in Brussels and his uncle ambassador in Hungary. He is now on the staff of the Senate Foreign Relations Committee. He was in fact, better than a couple of the

Library of Congress

career people. It was really bizarre. Their relative influence had gone to their heads. The Assistant Secretary had been given bad advice and didn't know enough to recognize that his staff was not serving him well. Ralph Johnson and I were the only holdovers from Tom Niles' period as Assistant Secretary.

Q: Did you find that they tried to edge you out?

SMITH: They certainly tried to marginalize me and my office on many issues. It was only near the end of his short tenure that the Assistant Secretary became aware that advice to him was being heavily censored by his own staff. He began to ask me to come up and talk to him about broader issues. Shortly after that he was replaced. At the same time, I was getting ready to go to another job. In mid-1994, I went from the policy job to Tallinn, Estonia for a six month stint as charg# d'affaires.

Q: Ok.

SMITH: I went there because Ambassador Bob Fraser tour was up and we didn't have an ambassador there. Therefore, I was sent to Tallinn as acting ambassador.

Q: So when were you off to Estonia?

SMITH: It was in early July, 1994. Nick Burns who is now the ambassador to NATO was working at the National Security Council at the time, and he was slated to go to Tallinn as ambassador. After I got there, Nick moved over to another job and there was some possibility of me staying on as ambassador. Unfortunately, soon after my arrival in Tallinn my stepson was badly injured in a car accident. I stayed on, but didn't feel that I could leave my wife with a brain damaged son for more than six months. Although it was a horrible time for our family, being in Tallinn was an interesting experience.

Q: This is from?.

Library of Congress

SMITH: July '94 to December '94. The embassy in Tallinn was relatively new. Bob Frasure had been our first ambassador to Estonia following the country's liberation from the Soviet Union in 1991. Bob and I became good friends. It was a terrible blow to so many of us to learn of his death later on in Bosnia. I don't know if I had made clear that I was in Tallinn without my family. Originally, I had hoped that my family could join me. My stepson's accident made this impossible, so I made several trips back to Washington during my six months as charg# and met each time with Bob Frasure, who was a DAS in the European Bureau. But it was an interesting time in Estonian history. The ethnic Estonians and most ethnic Russians were delighted at being independent from the Moscow. A third of the country was ethnic Russians. The transition to independence had been peaceful in Estonia, although not so much in Latvia and Lithuania where Russian troops fired on demonstrators and border guards. It was an impressively peaceful transition when one considers that at least a third of the population of all three countries had either died or been imprisoned by the Soviets. Not one Russian was ever killed as a result of retaliation by the population. Not one. The world has overlooked this remarkable fact.

Anyway, the most important issue on my plate in Tallinn was our attempt to persuade the Russians to withdraw the rest of their troops from the Baltic States. I became heavily involved in the negotiations with the Russian military. Congress had authorized \$50 million as a "buy out" for Russian officers still living in Estonia and Latvia, so that they could buy themselves housing in Russia. It was something that the Russian government was not excited about. They wanted to keep their officers in the Baltic States. Although they didn't like this idea of a pullout, they were being pressured by President Clinton and the Congress to get the troops out. Clinton pressured President Yeltsin very hard in confidential correspondence. There was some pressure from the Europeans, but it was mainly Clinton and the U.S. Congress and their threats to cut off assistance to Russia, that made Yeltsin pull out the approximately 15,000 officers still in Estonia and Latvia.

Library of Congress

. It was an interesting experience negotiating with the Russians. One could see that the Russian Government, and particularly the Defense Ministry, would willingly abandon its officers to their own devices. The Russian military High Command and the General Staff of the Russian military were about as corrupt an organization as I had ever seen. Money which had been set aside by the Russian government for building housing in the Leningrad military district and in other places in Russia was siphoned off illegally by high-ranking officers in Moscow. Much of the housing built in Russia for officers from the Baltic region were sold and the money pocketed before the officers from Estonia and Latvia could return. It was quite a depressing experience to see how the Russian military operated.

In the end, the last contingent of officers left Estonia and Latvia on August 30th, 1994. It was quite a day. I remember walking around town and asking Estonians what they thought about it. I thought they'd be delirious. To a person, they said, "they'll be back." At that time, they couldn't even imagine being members of NATO and the EU. Considering their terrible experience at the hand of Moscow, they felt the Russians would find some excuse to come back in

Q: Why would the Russians want to keep troops there? Was it mainly a matter of housekeeping, what do you do with them, or was there a political motive?

SMITH: There were a variety of reasons. The Russians still hadn't come to terms with the fact that the Balts were determined to be totally independent. The Russian Foreign and Defense Ministries didn't want to touch the issue. My meetings in Tallinn were generally with Russian military officers, with the occasional presence of a low ranking diplomat from the Russian Embassy. The Russian ambassador always had some excuse for not showing up at the meetings. I found myself feeling sorry for the Russian officers. Many of them had wives and children, and they were faced with the coming winter living in tents in Smolensk, rather than the relatively nice apartments that they had in Estonia.

Library of Congress

I had been in the Baltic States earlier. I had traveled to Riga and Tallinn in the late fall of 1992 to inaugurate the beginning of our assistance program to the three Baltic countries. Therefore, returning as 18 months later to be charg# in Tallinn was particularly interesting. It was especially interesting to observe the differences between ethnic Russians and ethnic Estonians. Out in public, one could tell the difference just by their body language. The Russians are much more demonstrative; they would walk down the street gesturing with their hands and head, very much like Italians. The Estonians would walk along either in silence or in muted conversation, not moving their hands or heads. During the weekends, the Russians liked to go to the ocean side, whereas the Estonians preferred to visit the forests and small villages with their families. I did not see a lot of resentment between the two ethnic groups. They lived together in the same apartment buildings and Estonians seemed willingly enough to speak Russian with their non-Estonian neighbors. Of course, the Russian Government considered everyone who spoke native Russian to be “theirs,” whether or not they were Ukrainian, Georgian or Belarusian. Moscow frequently used this claim to artificially inflate the number of “Russians” in the Baltic States.

Q: It's a whole different system, but I was in Kyrgyzstan around this time, and all the small shops and the plumbers and the people who kind of did things, were Russian. And the Kyrgyz were the bureaucrats, but it was the Russians who really kept the economy going. I wouldn't think it would be the same thing in Estonia.

SMITH: Not as much in Estonia. Nevertheless, during the Soviet years, the Russians rigged the educational and political system in favor of ethnic Russians, even if they were recent “immigrants” from other parts of the empire. Any Estonian (or Latvian or Lithuanian) who was well educated or a high status before the occupation in 1940 was either sent to Siberia or their children were not allowed to attend universities. There was serious discrimination against them in Estonia and Latvia, although not quite as much in Lithuania. Naturally the top jobs in industry and in the Communist Party apparatus were occupied by Russians. As a result, the farmers in Estonia were almost uniformly ethnic Estonians.

Library of Congress

In every other walk of life, there had been positive discrimination in favor of the Russian minority. The largest apartments in Tallinn were occupied by Russian Party members or Russian officials of one kind or another. Russian had been the official language in all three Baltic States. Non-Russians had been forced to use it at all public functions, even in post offices.

After independence in 1991, Moscow started an aggressive public relations campaign, complaining about discrimination against the Russian minority. Most of the charges were not true. The discrimination had been the other way for 50 years. Even when I lived there all of the 100+ square meter apartments in Tallinn were occupied by Russians. In spite of the talk out of Moscow, most Russians in the Baltic States feel good about living where they do, rather than in Russia itself. A few older Russians moved back in the first years of independence, but after 1995, the others wouldn't consider moving to Russia. Now many brag about being the first "Euro Russians," since they're going to be in the European Union on May 1st of 2005. There's a lot of disinformation coming out of Moscow on this issue. Most Russians in the Baltic States are certainly well aware that they are lucky to live where they do. But Putin has an emotional animosity against the Baltics which goes back many years.

Anyway, I spent a lot of time on minority issues when in Tallinn and the Embassy spent a lot of time reporting on Russian minority questions. We had a short-term American employee who came from another agency. She spoke very good Russian and spent much of her time in contact with the Russian minority trying to assess if they were being discriminated against. There were times when we did go to bat for the ethnic Russians in the few cases where we thought the law could be made more 'color blind.' We worked very closely with the other Nordic countries on these issues, particularly the Swedes and the Finns. The Swedes were really terrific, and when it came to the Baltic States I can't say enough good things about what that country did for the Baltic States after 1991. Sweden is still helping out in the region. The Finns were active, but they were generally active in a business sense. They loaned money to the three countries, whereas the Swedes gave

Library of Congress

them grant money. Perhaps, it was because the Swedish economy was in better shape during that period, but the Finns are by nature a little tighter with their money than the Swedes. It was an interesting experience observing the differences between the Nordic countries.

Q: What was the Estonian political system? Who was at the top at that time?

SMITH: When I arrived in Tallinn, the Homeland Party was running the government. The country was operating under a new, very democratic constitution, one that had been endorsed by the EU and the U.S. At the time, the prime minister was Mart Laar, a grand old man of 32 years old. He later returned for a second stint as prime minister and is still active as a member of the Rigi Kogu (parliament). In 1994, the foreign minister, Juri Luik, was 26. He's now the Estonian Ambassador to Washington. They were young, idealistic and open to new ideas. I often had lunch with the prime minister and developed close relations with the foreign minister. Estonia was unusual, in that unlike most of the former Soviet states, the old party and government officials had been permanently sidelined. Many of the young people, some who had been members of the communist youth organization, but who hated communism, took over the country quickly after 1991. On the whole, they were young, energetic and very western-oriented. This was the case more so in Estonia than in Latvia and Lithuania. It is still that way today. In Estonia these young leaders immediately adopted free market economic ideas borrowed from the U.S. economist, Milton Friedman. They quickly instituted a flat tax and they lifted almost all of the import barriers and taxes. It was one of the most impressive transformations from communism to free-market democracy. During the first few years of independence, Estonia grew faster than the other two Baltic States or any other former communist country in Central Europe.

The Estonians made some mistakes, but they quickly discovered what worked and what did not. This was one reason why it was an interesting period to be in Estonia. I developed a real emotional attachment to the people, particularly when they were still

Library of Congress

being threatened by Russia. The President and Foreign Minister asked for my advice from time to time regarding Estonia's relations with Moscow. At the top of the list was the negotiation on Russian troop withdrawal. The Russians used a lot of the same pressure tactics with Estonia that I later saw in Lithuania during negotiations with a U. S. energy company. For instance, if negotiations are difficult, Moscow will often demand that the other side replace its principle negotiator. Unfortunately, the Estonians caved into that demand when they went to Moscow to finalize the troop withdrawal agreement. This is an old Soviet/Russian tactic that too often works, even with West Europeans.

Anyway, we became involved with the Estonia-Russian border negotiations. I made a trip to one of the disputed part of the border. It was being unilaterally demarked by Russian officials, a clear violation of the Helsinki Agreements. Demarking of borders in Europe was supposed to be done by mutual agreement or by a recognized international tribunal. In this instance, Russians demarked the border unilaterally, and they decided which territory was theirs and which territory would be in Estonia. In any case, when I visited the border in Viru Province, in the southeast of the country, I was immediately threatened by Russian soldiers, who pointed their Kalashnikov rifles at me. I tried, but failed to get Washington to support pushing Moscow into agreeing to multilateral negotiations in accordance with the Helsinki Agreements. Nobody in Washington or Brussels wanted to take up this issue with the Russian Government. The Estonians were afraid to raise too much diplomatic fuss without international support. They still feared the Russians too much to tackle the issue alone. So, Moscow got away with unilateral border demarcation and the present borders were established in this fashion.

Shamefully, Western governments, including the U.S. eventually pressured the Estonians and Latvians to support Russian border demands (within a year after I left). Even when the U.S. government pushed the Estonians and Latvians to give into Russia's negotiating position, Moscow would only return with new "requirements." After we received quiet promises from the Russian government that they would sign a border agreement if the Estonians and Latvians gave in regarding Moscow's position, the Kremlin demanded

Library of Congress

that there be a joint Russian-Estonian (and Russian-Latvian) commission to preview the ethnic relationships in these two countries. Moscow found reason after reason not to say yes to an agreement. To this day, the Estonians and Latvians do not have a ratified border agreement with Russia, nor does any other former Soviet republic except for Lithuania. The Russians have purposely refused to sign border agreements with anybody but Lithuania until now. Lithuania has one because under the Baltic States were being taken into the EU and Moscow needed a corridor across Lithuania so that Russians could easily travel between Kaliningrad and the rest of Russia. But that's the only one border agreement between Russia and a Baltic State. Russia keeps the border situations unclear with most of their neighbors for a variety of political reasons.

Q: In the political system in the Baltic States, were young Russians sort of joining in or were they or were they sitting to one side and waiting.

SMITH: For the first few years, they were not encouraged to participate. They didn't speak Estonian, and to be in the parliament and in the military officer corps one had to speak the language. Many people, particularly older Russian resisted learning Baltic languages. Gradually the young ethnic Russians in Estonia and Latvia have learned the local languages and are moving into responsible positions. One needs to take into account the new Russians and the old Russians in the Baltic States. From the late 1800s, a large group of Russians lived in Estonia and Latvia, many of whom were Jewish intellectuals, but also many Orthodox Christians. Those people usually spoke the Baltic languages. Some of these individual (or their descendants) ran for parliament very early on, and they formed ethnic Russian parties to support minority rights. For the others, it has taken time to learn the language, graduate from universities, and then assimilate. Often they've done what a lot of minorities in other countries did who felt like they were discriminated against or felt as outsiders. They moved into the business world, where many have been very successful. .

Library of Congress

Over time, the focus of Russians shifted from organized crime to legitimate business, where they're often very good. I met some terrific young Russians who were running textile factories and steel fabricating companies in Estonia. They are clever enough to hold their own anywhere. Foreign businessmen used to tell me that some of the young ethnic Russians in the eastern part of Estonia could compete anywhere in the business world. It has taken time, but they have made a lot of progress. There are good reasons why most Russians stayed in the Baltics. They were so much better off than their relatives in Russia. One of the guards at the residence in front of the house I was living in made a point of telling me that he lived better than his relatives in Omsk. He said, "I have a country house here, I have a car, we have meat on the table every day. I'm really well off." Meanwhile, there was a constant drumbeat of charges from Moscow alleging discrimination, even charging ethnic cleansing against the Russian minority.

The Estonians took the criticism in stride. The director of the Estonian national library told me that during the Soviet period she was on the bus going home from work. She overheard two Russian families on the bus talking to each other. The family living in Estonia was bragging to their relatives from Russia about how well-off they were. They mentioned that they had a large apartment, they had a car and they had all of this and that. But they added that one problem remained. After the people from Russia asked what it was, the Russian residing in Estonia said, "Unfortunately there are still Estonians here." The fact that this was said in front of a busload of Estonians just typifies Russian insensitive. It was the kind of remark that Estonians and Latvians heard repeatedly from Russians over the 50 years of occupation. To this day, the Russian government's official position is that the Baltic States voluntarily joined the Soviet Union in 1940, ignoring the forced incorporation into the Soviet Union under the Molotov-Ribbentrop Treaty. This position was reiterated by the Russian government as late as 2004, and it remains Moscow's official position. One of the reasons that the Balts were so anxious to become members of NATO and EU so quickly was the constant drum beat of hostility from

Library of Congress

Russian. Opinion polls in Russia still show that Estonia and Latvia are along with the U.S., the countries Russians consider to be their primary enemies.

Q: While you were there, the expectation was somehow or another, the Russians haven't let us go.

SMITH: Russians can still not let go. Back in 1993, Moscow signed free trade agreement with the three Baltic States. As soon as the Balts asked that Russian troops be withdrawn, the Kremlin imposed double tariffs on all Baltic products. In 1992 when the issue was first raised about sending home Russian troops, Moscow cut off all of the energy exports to the Baltic States in the hope of forcing the Balts to give in and allow Russian troops to remain. Energy flows have been cut off several times since for political reasons. I was in Riga and Tallinn in the very cold winter of 1992, and it was very uncomfortable in the hotels. The Balts had to reduce indoor temperatures to eight degrees Celsius, so we slept in our clothes at night. That was a typical attempt to squeeze the Balts. Russian policy was instrumental in pushing the Balts closer to the West. It was a very stupid policy by the Kremlin. I've talked to some Russians who recognize that the policy of hostility is self-defeating, but they were a lonely minority. Russian hostility is driven by hurt pride and latent imperialism. The collapse of the Soviet Union was traumatic for most Russians. They knew that their country was relatively poor and not internationally respected, but being large and powerful gave them something to be proud of. The collapse of the Soviet Union and the resulting chaos in Russia took this away from them.

Q: Were there any Estonians who were still stuck in Siberia or were they all dead?

SMITH: There were some still stuck there. There are still Estonians, Latvians and Lithuanians living in Siberia; most of them too old to make the trip back. I had dinner with a Lithuanian friend of mine a few weeks ago. He had just taken his children to Siberia because that's where he was born. His family was exiled during the czarist period, and he was born in Siberia. He and his family were again sent to Siberia during the Soviet period.

Library of Congress

He went with his children to the village in Siberia where Lithuanians still live. Those who could, primarily the younger ones, left in the early 1990s. Of course, some had married Russians and did not want to leave. Now, it's becoming harder Russian permission to leave, except for the aged.

Q: What about relations back in the States? I would think that when things opened up an awful lot of Estonians, Latvians and Lithuanians who had come to the United States flocked back. I'd experienced some of these when I was in Germany with the Germans who went to the United States during the Hitler time, really more before the Hitler time when the currency collapsed. And then came back in the early '50s or so and were all set to tell their German cousins how to run things, you know. I would have thought this would have been for someone in your position an awful lot of hyphenated Americans meddling in your work.

SMITH: That is a good point. There were a lot of Baltic immigrants who went back to the three counties with the intention of helping make the transformation to Western-style societies. There were not many Estonian immigrants in the U.S. Most of the former Estonian refugees went to Sweden and Canada. There were only about 50,000 in the U.S. in 1991. Many returned, however, from Sweden, Canada and Australia. There were about 150,000 Latvians in the U.S. and at least an equal amount in Canada. The largest number of Baltic people s in the U.S. had come from Lithuania.

While I was in Estonia, the chief of defense was an Estonian-American, who had been a colonel in the U.S. Army. He had been brought over by President Lennart Meri, who expected the American to revamp the military and be a close collaborator of the President. Unfortunately, the colonel couldn't keep quiet about domestic politics. He repeatedly accused the Estonians of being corrupt. He made life miserable for the president who had befriended him. It was a disaster. I remember President Meri asking me what he should do about the man. The President thought that I could persuade the colonial to stay out of politics. I tried to convince the colonial that he was only damaging his own effectiveness,

Library of Congress

but his ego was just too much of a problem. Eventually, the president fired him. He then turned on President Meri and ran for president in the next election. He didn't even come close. He was a disaster. I remember going back to Estonia and seeing him in one of the major hotels. He'd sit in the lobby and grab anybody who would come by and try to talk to them about how badly he had been treated. He was a sad case.

I saw a couple of similar cases, although not quite so bad, in Latvia. There were a couple of retired U.S. military guys in the defense ministry of Latvia, including one who was made minister. Neither of them lasted more than six months. Many young Estonians who returned from abroad made substantial contributions and have settled down in the country. Many of Estonia's best diplomats were born abroad of Estonian born parents. Some are among the best I have met. The generation that left in 1945 often had problems adjusting to the changes that had taken place under communism..

Q: It never works. You watch this again and again. It just doesn't work.

SMITH: Sometimes it does. I saw many successful cases of Lithuanian-Americans who made significant contributions to the country. There were fewer in Estonia and Latvia, but even in those two countries I know of examples of success.

Q: How about the Canadians?

SMITH: The president of Latvia today is a Canadian-Latvian and she is very successful. Two very talented Estonian diplomats that I know were born in Canada.

Q: Did the Canadian embassy, because of the number there, play a role?

SMITH: No, they did not play much of a role. The Germans tried to be influential players in the Baltics, but they came across as too arrogant, perhaps unfairly. The Finns tried to be big brother. In any case, I was only charg# for six months before returning to the U.S. for family reasons. I earlier mentioned that my step-son who had been badly injured. He had

Library of Congress

been in a coma for almost a month and was facing a long and uncertain recovery. After I was back in the U.S., however, President Mari and Foreign Minister Luik, who's now the ambassador here, wrote a letter to the secretary of state asking if the U.S. would send me to Estonia from time to time in order to advise the Foreign Minister on establishing a new foreign ministry and diplomatic service. The letter to Secretary Christopher arrived about a month after I left in December of 1994. In any case, I had to return to Tallinn later in December to cover for the then charg^e, who had to return to the U.S. for a month of compassionate leave. But after the Secretary approved the request, I traveled from Washington to Tallinn and back several times over the next two years, advising three successive foreign ministers. I never asked if was legal, but AID paid for my expenses and State paid for my salary. I was Director of Foreign Area Studies here at FSI during the same period of time.

Actually, I started advising the Estonians even before I was at FSI. I spent a total of another six months in Estonia. It was an interesting experience. I had an office right next to the foreign minister and I helped them set up security systems and talked to them about management issues. Most of the time, however, was spent advising them on foreign policy questions, particularly regarding how to deal with Moscow. Later, we discovered that the Russians had taped my phone during one two-week stay in the Ministry.

Q: This is from '91 to..

SMITH: This is from early 1995 through 1996.

Q: How did Estonia deal with the other Baltic States. As an American, we always lump these countries together. But what was the relation between them?

SMITH: It has always been a complicated relationship. Each country wants to be treated as unique, but they all wanted to be dealt with in the same way. We never admitted to lumping them together, but then we would do it in the next sentence. Often, it was just easier and more beneficial to treat them in the same way. There was a sense of being a

Library of Congress

Baltic person, and they had worked together to free themselves from the Soviet Union. There was a lot of collaboration between the Baltic States. They had a feeling that they had to stick together in order to survive Russian pressure. For the first few years there was a lot of collegiality. Eventually, as they became more independent, there was some splintering. There are strong ethnic ties between the Latvians and the Lithuanians, but not as much with the Estonians. There are regular Baltic presidents, prime ministers, foreign ministers and defense ministers' meetings. The Estonians quickly decided that they were different (perhaps superior) than the rest, and that they were more Nordic than Baltic. Toomas Ilves, the former Estonian ambassador to Washington, started the talk about being Nordic. This kind of talk made the Latvians and Lithuanians somewhat angry, since there was an implication that the Estonians are better than the rest. Each Baltic State constantly compares itself against the other two when it comes to unemployment, GDP, number of people committing suicide. Every month, one would see figures come out comparing all three countries on various issues. They still wonder constantly about how they are doing relative to the other two. So, it is natural that outsiders too often lump the three together. Now they're all members of NATO, they're all three going to be in the EU. In some ways, this will allow them more individuality, in the sense that they're part of a larger whole and they won't just be considered Balts. They will be EU members and NATO members. In reality, they are as different from each other as the Scandinavians are.

Q: Was there any overlapping border claims or problems?

SMITH: Not between the Baltic States. Latvia and Lithuania had a dispute over territorial waters, but it never became contentious. They worked it out. They had so many problems with Russia that they didn't want to do anything that would weaken their solidarity. The Germans were somewhat active in the commercial side. In fact the German, Danish and Finnish embassies were located in the Foreign Ministry building for a few years. When I became an advisor to the Estonian foreign ministry, the Germans were very ticked off. They thought they were better qualified to advise the Estonians. The Finns who had sent an advisor to the Foreign Ministry, but he had been pretty much ignored. The Finns also

Library of Congress

resented my role. In the Ministry's elevator I would often meet Germans or Finns and they let me know that the Estonians should not be listening to an American. I just shrugged it off.

Q: Did they reach out to us because we were somewhat removed, or that we had the reputation for trying to do the right thing?

SMITH: All over East Central Europe there was a lot more trust in the United States than there was in the West Europeans. East Europeans believed that Europeans would sell them out to the Russians when the going got tough, whereas the U.S. would more likely support them. To some extent, this fear was only fueled by the German Government. Then Chancellor Kohl refused to make an official visit to the new Baltic States, because he felt that it would needlessly irritate his friend Boris Yeltsin. During the whole Kohl chancellorship, he made only a three-hour trip to Riga near the end of his term. At that meeting, he conspicuously spent most of his time talking to Russian Prime Minister Victor Chernomyrdin.

Q: Yes, Chernomyrdin was at that time was the Russian prime minister.

SMITH: In fact after Kohl left office and Schroeder came in, Schroeder did make a trip to the Baltic States, and just by chance, I was in two of the Baltic capitals, Tallinn and Vilnius, at the same time. Schroeder visibly looked like a man who was embarrassed to be there. It reflected his fear of irritating Moscow. Of course the Balts sensed Schroeder's lack of interest. Later, the U.S. had to pressure Germany, and many other European governments, to allow the Baltic States into NATO. The U.S. had actually begun a substantial assistance program in Eastern Europe before their European neighbors decided to help. We came in with military advisors to help the Balts set up new defense forces much earlier than the Europeans. Even today, with most of them in the EU and NATO, there is a lot more trust that the U.S. would help if they are threatened by Russia. They do feel more secure, however, being EU members.

Library of Congress

Q: Did you find yourself working jointly with the Swedes?

SMITH: Yes, the Swedes were very collegial and we worked extremely well together. They had fewer hang-ups about working with the United States than almost anybody around. In fact, when I was in Tallinn, the dean of the diplomatic corps was a Swede. His son attended an Estonian school and the ambassador did much for Estonia. He is a great guy. I've met him several times since at the foreign ministry in Stockholm. The Swedes sent top diplomatic talent to the Baltic States. This reminds me of the tragic sinking of the ferry, The Estonia, that carried passengers between Tallinn and Stockholm. The ferry sunk in a September storm, drowning over 900 people.

Q: It was coming from Sweden wasn't it?

SMITH: It was going to Sweden from Estonia. My Swedish ambassador friend had met personally about 100 people who drowned that night. I was still Charg# at the time and had met about five or six of those who were lost. I was told before I went to Tallinn that Estonians was that newly arriving foreign diplomats would make a point of immediately visiting the large ethnic Russian population near the Russian border in the east of the country, assuming that the Russian population were the worst off economically. Therefore, after I arrived in Estonia, I immediately went to the poorest area of the country, which was not a Russian area, but was a southeast province called Viru, along the Russian border. The people there were almost all ethnic Estonians. At yet, in all my traveling around Estonia, I found the people in Viru to be a young, vigorous, energetic group, and they didn't ask me for any U.S. assistance. They really were an impressive group. I spent two days with the local leaders and they all later drowned with their wives on the ferry. At least 85 orphans were left in the small provincial town of Viru.

Q: What happened with the ferry?

Library of Congress

SMITH: During a night time storm, the front gate was not adequately secured and it came off, leading to flooding of the ship and its sinking. Although many Estonians and Finns died, there were even more Swedes. Surprisingly enough, there were no Americans aboard. I received a call about four o'clock in the morning informing me about the tragedy. At that time, no one knew if Americans had been aboard. It was an enormous tragedy for all of the region's countries, but particularly for the new Estonia. The first country to send help to the families of those lost was Sweden. That was quickly followed by help from private Americans. The U.S. Baltic foundation quickly put together a fund to help the families. It wasn't a lot of money, but I was impressed by their support. I was also impressed that the Swedes gave so much help to the Estonians even though they themselves suffered more than anybody else. I will always remember the faces of the people from Viru who were lost. The images of others from my trips around Estonia have long faded.

Incidentally, my wife and I took that same overnight ferry from Tallinn to Stockholm and back several years later. It was a beautiful ride and we had a great time. But, we could never forget the hundreds of people who had lost their life.

Q: Did Britain or France play any role in Estonia?

SMITH: France played almost no role. They were there, but not very visible. The Brits were more active. They had good diplomats in the Baltic States. Some of the foreign ministries tried to send good people and others, like the French and Norwegians, were not interested in the region. The first ambassador to Estonia from Germany was still in Tallinn while I was there. He had come from a royal German family who before WW II, had owned a large estate in Estonia. He reclaimed the house that his mother had owned in a prominent spot in Tallinn, and made that the official residence of the German ambassador. He always made a point of tell people how wealthy and important his family had been in pre-war Estonia. He was too insensitive to recognize how much that offended Estonians. Perhaps he didn't realize that the Baltic Germans had been the overseers of Estonians on

Library of Congress

behalf of the czar. For over a hundred years, the Baltic Germans kept the Estonians in a subservient position. I don't the German Ambassador ever understood his stupid remarks. He was less interested in diplomacy than in renovating his mother's house and in putting a large plaque on the side of the building commemorating his family. He was also very jealous of the fact that I was an advisor to the foreign minister. After he left, the Germans became marginally more active, but it was a slow, slow process. They sent people to the Baltics who were on the verge of retiring or had already retired in place.

Q: Did you run into a difference a view between the people in our embassy in Moscow who were seeing things in terms of, we're talking about localitis. Did this happen?

SMITH: Yes, this was a constant problem. At the U.S. Embassy in Moscow, our people still looked at the Baltic States as the periphery or simply the borderlands. We could not get Embassy Moscow's help on many issues, including the program to help Russian military officers re-locate in Russia. The Embassy turned the project over to a USAID contractor, who's only ability appeared to be that he could speak a little Russian. He and Embassy Moscow kept assuring Washington that the program was moving on schedule, when nothing at all was happening. I sent cables to Washington and Moscow reporting that this was not true. The embassy in Moscow just became irritated with me for exposing their incompetence or negligence, and nothing changed until Washington sent out an inspection team. I had seen the same problem when I worked in the European Bureau. The Soviet, and then the Russian Bureau, was anything but collegial. It was even more difficult dealing with them from Tallinn, since Embassy Moscow tended to look at the Baltic States as peripheral to important foreign policy issues and therefore, not worth their attention. They were only interested in nuclear weapons and other global issues. Most people a Embassy Moscow appeared to have little sympathy for the victims of the Soviet Union. I should say that one officer from the consulate in Leningrad was very helpful to the Baltic independence movement at some risk to his career, but he was the exception.

Library of Congress

Q: Did you ever find yourself caught between what was good for the Estonians and what was good for the United States? Conflict of interest is the term.

SMITH: I never felt that type of conflict, or maybe I was too sympathetic to their situation to notice. There was, and still is, some dissent in the United States regarding whether we should have encouraged these countries to join NATO. I very much supported it, but thought it was a matter of justice and national security. The fact that I had lived in Hungary for six years under communism also moved me in the direction of thinking that once these countries were in NATO there would be more stability in central Europe. Russia would have to get over the loss of empire and move on with life. Many of our allies and much of the U.S. academic community thought that NATO enlargement would be a disaster for our relations with Russia. But as far as any conflict between U.S. and Estonian interests, I can't think of a case where I believe that our security interests clashed.

Q: Regarding the NATO situation, had the entry into NATO arisen while you were there? Was that an official policy?

SMITH: Yes, under Clinton and later under Bush II, our policy was to support (not originate) aspirations by East Europeans for NATO membership. The Baltic States in particular, came under constant economic and political pressure from Russia. As a result, people in the region felt that they needed the protection of NATO's Article V. If Russia had been more benign toward their neighbors, there would not have been as much rush by the East Europeans to become NATO members. When a Russian diplomat complained to me about NATO enlargement, I asked him why the countries that had been part of the Soviet Union or Warsaw Pact wanted membership so badly. He refused to comment. I think he understood the shortsightedness of his government's policy. East Europeans owe a lot to both Bill Clinton and George Bush. They both worked hard to integrate the former communist countries into European and trans-Atlantic institutions. Most Europeans were indifferent to the security needs of the former communist states. The Norwegians and Danes were supportive and the Finns and Swedes, both non-members of NATO, wanted

Library of Congress

to see the Alliance security extended to the Baltic States. The Germans and French were fairly hostile to either EU or NATO membership for former parts of the Soviet Union. Today, I feel even more strongly that our policy was the right one.

Q: Who was Clinton's friend and advisor, the number two in the State Department?

SMITH: Strobe Talbott?

Q: Strobe Talbott. Now he was the Soviet hand, had served there as a correspondent and was very familiar with the issue. I would have thought that he might have fallen into the don't upset Russia mode. Did you feel his hand in this?

SMITH: Yes. He did follow that line for the first couple of years. But, he later became somewhat disillusioned by the situation in Moscow, with the craziness of Boris Yeltsin and his policies, and with the massive corruption in Russia. The corruption was not only in the Russian Government, but pervaded the whole society. He eventually became a big supporter of NATO membership for the Baltic States, and that was helpful. Talbot was an influence on our Russian policy during the entire Clinton period. He came in to the Department as Undersecretary for Political Affairs, and then moved up to become Deputy Secretary. Although there was some opposition to NATO enlargement from some political appointees and career people in the State Department, Talbott coming on board ensured that it would become U.S. policy. Talbot is a very decent, and thoughtful person.

Q: Were there military requirements to belonging to NATO that would put, I would think, a pretty hefty burden on the small new state.

SMITH: There were certain requirements and benchmarks for NATO membership that were contained in military action plans that had to be agreed to by the Alliance and the prospective member. Some opponents of membership charged that the new members would only be "consumers of NATO security," and not provide any "value added" to the Alliance. On the whole, that argument was nonsense raised only to block enlargement.

Library of Congress

If you look back in NATO's history, there were a lot of countries that became NATO members that didn't add a damn thing for many years, and were nothing but "consumers of security." During Greece's history of NATO membership, it has been more of a pain in the neck than a real contributor. In fact, when I was in Hungary on my second tour, the Greek ambassador reported regularly to local communist officials everything that went on in our NATO ambassadors' meeting. When Germany became a member of NATO it had no military. So these were political decisions. In any case, the requirements put on the former communist states were tougher than faced by many of the original members. The Estonians still have the weakest military of the three Baltic States, but NATO has benefited from their membership. They are in a better position to defend themselves against Russian threats and provide intelligence and other support to NATO.

Q: You mentioned the corruption angle. Russia, I don't know if they've shut it completely, but they're moving out of this robber baron, but even more than that it's almost a Mafia-type situation of controlling things. When Estonia became free, were there sort of public concerns, utilities, railroads, lumber mills up for grabs, and how did they do?

SMITH: While organized crime was a serious problem in the ten years after independence, it was never on as large a scale in the Baltic States as in Russia. It was a bigger problem in Estonia than in Latvia and Lithuania during the first few years, but that diminished over time. Even so, in Estonia in the mid-1990s, there were seven known organized criminal groups. I arranged to bring to Estonia representatives from all major U.S. law enforcement organizations to look at the situation. As a result, the FBI established an office at the Embassy in Tallinn to help train law enforcement personnel in all the Baltic States, but particularly in Estonia. The FBI also dealt with criminal cases that had a U.S. connection.

Of those seven criminal groups in Estonia, all were led by ethnic Russians. There was the Perm Group, the Krosnadarsk Group, etc., all identified by where the leadership had ties to in Russia. There was also substantial criminal activity which passed through Estonia from Russia. This was a period when many Russians were stripping precious metals out

Library of Congress

of utility lines, power plants, and even ballistic missiles. They were shipping copper wire and other precious metals by rail to the Baltic ports, and then on to Sweden, Finland and other countries in Europe. It was all being organized by criminal groups in Russia, using their connections with colleagues in the Baltic States and in Western Europe. Ironically, Moscow publicly blamed the Balts for the illegal metals traffic, but the people who were stripping it out and moving it to the West were Russians.

In early 1994, before I went to Estonia, I traveled from Moscow to Riga, Latvia on the overnight train and had a compartment to myself. Just before approaching the Latvian border, about four o'clock in the morning, there was a banging on my compartment door. I opened the door, and there were two guys in uniforms with Kalashnikov rifles. I immediately assumed that they were there to provoke some incident or to shake me down for money. I even thought that it could be even more serious. I attempted to explain to the two soldiers that I was a diplomat, with the normal immunities. These guys didn't care who I was. They marched in, and instead of drawing a weapon, they pulled out a metal detector and went around the ceiling of my compartment to check if I was trying to illegally export precious metal. When they didn't find anything, they saluted and walked out. That was it. It was a bizarre kind of experience, but I figured that either someone had failed to pay them off for a shipment expected to come through, or they were two of the very rare honest border guards. Large quantities of small arms were also being exported out from Russia through the Baltic ports. In Russia, people were stealing everything they could get their hands on. Today, crime in Russia is no less than in the 1990s, but it is usually more sophisticated and somewhat less violent.

When I lived in Estonia, one of our local employees had a brother who was a policeman. I remember her telling me that he and his colleagues were afraid to stop any luxury car that was painted black and had darkened windows. The local police were afraid of retaliation by Russian Mafia members. The consequences of stopping the "wrong person" could be horrible, either for the policeman or members of his family. It was like the "wild west" in Estonia and Latvia for a few years. It was tough to bring the criminal groups under

Library of Congress

control. They had more fire power, money and intelligence than did the authorities. The police were delighted when one crime figure was murdered by a competing group; and it happened frequently. Crime and corruption was somewhat different in Lithuania during this same period. Members of the gangs were both ethnic Russian and Lithuanian. However, in Estonia and Latvia, almost all organized crime was carried out by ethnic Russians.

Q: During the time you were there, both as charg# and then as a consultant, did things change?

SMITH: Yes, but only marginally. The local police, with the help of U.S. and European police forces, were able to reduce the level of organized crime. The U.S. and several Scandinavian countries helped train and equip the local police and assisted in setting up a more effective intelligence agency, that would also be able get a handle on Russian spying in the Baltics. The U.S. did a considerable amount of police training in all three countries. There's still corruption and spying emanating from Russia, but it is nothing like the early or mid-1990s. At that time, Russian intelligence officers were running roughshod over the Estonians. Because of the heavy handed attempts by Moscow to intimidate the Estonians, Russian influence in the country declined quicker than it would have otherwise. The Balts are difficult people to intimidate. When Russia cut off trade in an attempt to apply political pressure, the move only increased Estonia's trade with the West. Also, the people adversely affected by Moscow's economic pressure were usually ethnic Russians, who worked in the industrial sector, particularly in Tallinn and near the Russian border. It was a stupid policy on the part of Kremlin leaders, but they were following their emotions, rather than logic in dealing with the Baltic States.

Q: Were you able to see in this period a change because of technology, communications and all of this, and how did the Estonians fit in to the computer age?

SMITH: Young Estonians jumped right into the cyber age. Within a short time, they were ahead of the U.S. in computer and cell phone use. These young Estonians got a head

Library of Congress

start over the Latvians and Lithuanians, who were still burdened by leadership from the communist era. I remember working in the Foreign Ministry and feeling like such a fool because everybody knew more about computers than I did. They were getting the news on line every day. This was back in 1995, long before anyone in the State Department had on-line access to international news. Many young ethnic Russians also quickly mastered the cyber world and were using it to gain advantage over some of the ethnic Estonians. A professor I knew at Estonia's technical university taught a class in technology. His class was composed of about half Estonians and half Russians. Even though he was an ethnic Estonia, he told me that almost all of his top students were ethnic Russians. Also noteworthy, was the fact that the class was taught in Estonian. As members of an ethnic minority, they recognized that they had to try harder and be more clever than the ethnic Estonians in order to get ahead. Although many young Russians were able to adapt very quickly, their parents could not. The over 40 age group could not adjust to a market economy and having to take responsibility for their own jobs and welfare.

Q: What kind of academic and cultural ties did they have to the United States? Was much happening there?

SMITH: The Embassy and the Fulbright Commission sponsored many students to the U.S., but Estonia's cultural and academic ties were closest to Finland and Sweden. There was a professor Taagapera at the University of Tartu. He was an Estonian-American and had taught for many years at the University of California. He arranged for several Estonian students to study at American universities. George Soros, the American financier, had established a branch of his Open Society in each of the Baltic States, and his people helped develop educational and cultural exchanges with Europe and the United States. On the military side, the United States carried out more training and exchanges than any other country. Estonia maintained some military ties with their counterparts in Sweden and Finland, but the U.S. went in with full-time advisors very quickly, and we helped equip their

Library of Congress

new military forces. Eventually, the Swedes granted considerable military help to all three Baltic States.

Q: What about English? Was English supplanting Russian?

SMITH: Yes. It seemed as if everybody wanted to learn English. I even saw Japanese set up English language teaching sessions. Even with their heavy accents, independent Japanese made money teaching English in the early years after independence. Some Estonian leaders, such as President Lennart Mari, spoke eight languages, including English. The Prime Minister and the Foreign Minister, then ages 32 and 26, spoke very good English. Everyone could speak Russian, of course, but English was taking over as the second language. English is the business language today in Russia and Poland, and in the entire region, with the exception of Hungary, where German is the second language. Young people did not want to learn Russian, since it was seen as the language of imperialism. Today, more university students in the three Baltic States are learning Russian in addition to English because they see it's useful for doing business in the region. But the number one foreign language study is still English.

Q: Did Poland play any part in the Baltics?

SMITH: The Poles didn't play much of a role in Estonia or Latvia, but they were more prominent in Lithuania. From 1989 to about 1994, Poland was preoccupied with its own reconstruction. In the early days, Polish-Lithuania relations were quite contentious, because Poland forcibly took over much of Lithuania after the First World War. Lithuania's capital became Vilna, a Polish city, until returned to Lithuania in 1940. Lithuanians still resented Poland's seizure of its territory. After 1945, there were villages in Lithuania that were occupied entirely by ethnic Poles, and Lithuanians who were trapped in Poland. Over time, however, Poles and Lithuanians recognized that their mutual hostility only created opportunities for mischief by Russia. By 1995-96, relations took a sharp turn for the better and both countries worked to reconcile the foreign communities in their midst.

Library of Congress

Q: Kaliningrad? That's sort of an anomaly.

SMITH: Kaliningrad was always on the agenda when I was in Lithuania, but not so much during my period in Estonia. In any case, Kaliningrad had been the largest Soviet/Russian military base on the Baltic Sea. It gained a reputation of being the “black hole of Europe,” with the highest AIDS rate on the continent and enormous poverty. A million people, almost all of them poor, lived next door to a Lithuania and Poland that started off much richer, and with a wealth gap that was only increasing between them and Kaliningrad. Kaliningrad is still a neglected part of Russia. It receives little economic help from Moscow. The Kremlin is afraid of it becoming too westernized and that the population will demand more independence from Moscow. The lack of support from the rest of Russia is resented in Kaliningrad and that increases the suspicion of the enclave in Moscow.

Q: I'm just trying to think what was happening in the United States then.

SMITH: Clinton was president during that period of time, and his administration gave considerable support to Baltic independence. Without Clinton's strong demarches to Yeltsin, Russian troops would not have withdrawn in 1994. The U.S. was very popular in all of Eastern Europe during that period.

Q: Sort of from the optic of Estonia, what was the view of Yeltsin during this period?

SMITH: Yeltsin was reasonably respected for his recognition of Baltic independence in August 1991, shortly after the breakup of the Soviet Union. Thank goodness, Putin had not been president at the time. To this day, Putin keeps talking about what a terrible disaster the breakup of Soviet Union had been. In the mid-1990s, however, the Balts were just relieved to be independent. There was a feeling in the Baltic States that Yeltsin was not such a bad guy, at least compared with the others in the Kremlin. Later, for domestic political effect, he would make nationalistic statements which would irritate the Baltis. Many of Yeltsin's advisors could not accept Baltic independence and they kept trying

Library of Congress

to erode the Baltic economies in an attempt to maintain Russian influence in the three countries. There was a feeling among some of Yeltsin's advisors that the Balts could not manage on their own, and with time they would come crawling back to Moscow for help. Russians resented what they believed to be Baltic ingratitude for all the benefits they had received as members of the Soviet Union. This view from Moscow of the world was to some extent shared by our embassy in Moscow. But Russians now say that they will stop subsidizing those who left the Soviet Union, without thinking about the benefits received by Russians from control over the region.

Q: Of course, there always has been this difference between the Baltic states and essentially the Stans. The Stans were getting something out of their relationship with the Soviet Union, where the Balts were essentially being milked.

SMITH: In 1940, the standard of living in the Baltic States was on a par with the rest of Europe. It was even higher than it was in Poland and in Norway. Even during the Soviet period, the Baltic republics had the highest standards of living of any of the 15 republics; much higher than in Russia itself. Relatively high living standards in Estonia were not a result of Russian good will. Russians sent to the Estonia and Latvia were poorly educated industrial workers who were immediately given advantages over the local people. At the same time, high-level Communist Party and bureaucrats used the Baltic beaches and the vast number of sanitariums and recreation facilities as a Russian playground. Some of these sanitariums would be below one-star level in the West, but were better than anything in Russia itself. I stayed at a couple of these cement monsters, that were built to pamper the nomenklatura. During the Soviet period, Russians either went to the Crimea, or they would go to the Baltic States to vacation and play. After independence, many Russians still continued to use the hotels and sanitariums along the Baltic coast. During the Soviet period, they didn't like to hear Estonian or Latvian spoken, and there are still places where the locals obligingly speak only Russian. I've talked to many from Russian who feel nostalgia for their Soviet-era vacations at Baltic coast resorts.

Library of Congress

Q: Did you feel that Estonia or the Baltic States were becoming part of the tourist circuit? Were people coming there to visit from Europe?

SMITH: By the early 1990s, there were a lot of tourists visiting from the West. They were curious about the region and could vacation more cheaply than at home. Most of the tourists who came in the first years of independence were from working class European families. The Finns and the Swedes came to Estonia in droves, and they spent a considerable amount of money, which helped the fledgling economies. They also bought agricultural products that often originated in their own countries. Because of EU agricultural subsidies, you could actually buy a lot of West European products cheaper in the Baltic States than you could where they were produced. That was not a benefit to the Baltic economies and contradicted the claims from Brussels that the EU was giving enormous financial help to the new countries. The Finns were especially eager to buy their own country's food products in Estonia. EU subsidies made them much cheaper in Estonia than in Finland. I remember going to Poland in 1991, and finding that you could buy Danish ham cheaper in Poland than you could buy it in Denmark. Of course, Polish farmers didn't feel good about that. It was grating for East Europeans (and for me) to hear the constant bragging by the EU about what the West Europeans were doing to help "their poor Eastern brothers."

Q: You do weigh something about the relations that I think the Baltic states and all sense, that Europe, the EU as an entity is really more, they don't want to upset anybody. I get the feeling that this comes maybe even with the Iraq war and all of that, that the Europeans would compromise on most things.

SMITH: The EU was concerned about irritating Russia or Boris Yeltsin. Yes, the energy ties between Western Europe and Russia are more important than they are to us, but EU bureaucrats were often too anxious to please Moscow at the expense of those who had suffered through 50 years of Soviet occupation. At the same time, it was good for the Baltic States to take the necessary steps to be eligible for NATO and EU membership.

Library of Congress

It forced them to stay on the reform path. Without the carrot of membership, they would not have reformed as quickly. It deterred them from doing some pretty stupid things. So, EU and NATO membership has been a great reform incentive for Eastern Europeans. It was also an incentive for the Slovaks to get along better with Hungarians, and for the Hungarians and Romanians to try to bury old animosities. They learned that pushing ethnic xenophobia would only prevent them from achieving NATO or EU membership. Being in the EU was not only a substantial incentive to economic reform, but it provides the region with a certain degree of “soft security” in dealing with Russia.

Q: Was there a desirable change in supply patterns? Electricity, oil, of the product between what had been the Soviet Union over towards the west, or not?

SMITH: The Baltic States, as well as most of Eastern Europe was highly dependent on cheap Russian oil and gas. Moscow attempts to use raw materials dependency to maintain a high degree of political control. Russia blocked energy shipments to the Baltic States in 1990, in an attempt to crush the independence movement. They did it again in '92, in an attempt to keep Russian soldiers in the Baltic States. A few Nordic countries did rush in some oil and oil products to the Baltic States in order to help them through those cold winters. The Russians also discovered that they lost substantial revenue by not shipping oil products out from the Baltic ports. When Putin came to power, he vowed to stop the Baltic States from being Russia's oil export routes. Because of Russian import restrictions, Baltic consumption of consumer goods switched from Russian to Western sources. Within a short time, every one wanted to drive a Western-build car rather than a Russian one.

Q: We're talking about little cars.

SMITH: Even larger Russian-made cars became scarce. Many people would go to Western Europe and buy used BMWs and Opels. Now, almost all the cars in the Baltic States are non-Russian.

Library of Congress

Q: Of course, when you speak about Russian consumer goods it's almost an oxymoron.

SMITH: It is unfortunately, although many Western companies have started manufacturing plants in Russia and the quality of Russian made goods are improving. After the financial crash of 1998, Russians couldn't afford Western products, even those made in Russia. Some good Russian entrepreneurs then discovered how to make some decent consumer goods. Now, it is very popular to buy "Russian" products in Russia, although not in the Baltic States. At times, Russia has arbitrarily blocked Baltic imports into Russia. As a result, Baltic producers learned how to make goods attractive in the West. If you were a good Baltic businessman you wanted the ability to export in both directions, not just to Russia. Russian made itself an unreliable market, but it will always be an important one in the region. If there was a political argument between Moscow and a Baltic country, your exports might or might not be blocked. If you could export to Germany at the same time, or to Sweden, you had a more stable customer base. Things became very difficult after the August 1998 collapse of the ruble. Many Baltic exporters who were dependent on the Russian market went under, or went close to going under. Whereas, those who had a parallel market in the West managed ok. So it was in their interest to become less dependent on Russia. Import dependency on Russia has declined dramatically, except in the area of energy, where Russia still holds the cards.

Q: After you were in this for two years from '95 to '96 you wore two hats. While you were helping Estonia, what were you doing at the FSI?

SMITH: I was director of Foreign Area Studies Program here at FSI. At the same time, I directed individual courses on the Baltic States, Hungary and Romania. It was a great experience and I met some very talented people. I was able to sit in on lectures on Islamic radicalism, Japanese business practices, or just about anything else I wanted. The Foreign Service Institute was a wonderful place to work.

Library of Congress

Q: We're right here on the new campus. Did you get involved in the round table discussions about current international problems? Is that part of the school?

SMITH: Yes. We had a Special Projects program, which was managed by the School of Professional Studies, and was administered by the Area Studies Program. Fred Hill was the head of Special Projects and he carried out numerous simulation exercises, using area and functional experts. Unfortunately, some of our programs were hurt by the poor management decisions of FSI's front office. In an attempt to impress the Department with their financial skills, the administrators voluntarily (and unnecessarily) reduced funding for language training and for area studies. Of course, it hurt our ability to prepare people for their overseas assignments.

Q: This is of course one of the things I heard Mike Armitage testify before Congress, that there had been 12 years of neglect of the State Department which I think was really true. This was under Bush one and Clinton. Bush two, through Colin Powell, has really worked to restore some of the strain. But you were feeling the brunt of just cut, cut, cut.

SMITH: I agree. There were 12 years of neglect. Much of the problem could be traced to the constant pressure from Senator Jesse Helms, the Chairman of the Senate Foreign Relations Committee, to reduce State Department funding, and the failure of the Bush I and Clinton administrations to stand up to him. During the 1990s, we were opening up new embassies in the former Soviet Union. Part of my job from 1992-1994 was to decide where we were going to take positions out of existing embassies in order to staff the new missions. We suddenly had to fund almost 20 new embassies and consulates. The total number of personnel in EUR had to remain the same. It was difficult to decide where to make reductions. If we tried to cut a position out of the Department of Labor in order to create a political officer position in a newly independent country, it became a bureaucratically painful process. It weakened us on the diplomatic front all over Europe.

Library of Congress

During that period, I was also asked to chair a commission to study the funding of our radio broadcasting to Eastern Europe. This included Radio Free Europe (RFE), Radio Liberty (RL), and the Voice of America (VOA). In the end, we moved RFE and RL from Munich to Prague. I was involved in that decision. I traveled twice to Munich, where the radios were located, and then on to Prague, to view the potential headquarters. The building in Prague had been constructed in the late 1980s to house Czechoslovakia's communist parliament. After the collapse of the communist regime, the Czechs offered the building, free of charge, to be used as the new location for RFE/RL. We then moved the radios to Prague from Munich, saving the U.S. a considerable amount of money. At that time, Germany was the most expensive location in Europe in terms of rents and employee costs.

Q: How long were you with the FSI?

SMITH: I was with FSI formally until June of 1997, since I was going out the next month as ambassador to Lithuania. I had been selected to go as ambassador while I was here at FSI. The process of clearances and approvals took about six months, which seems about average. The process of becoming an ambassador is an agonizing, ridiculous process. In any case, once the process was well under way, I signed up for a part-time Lithuanian language class. Every day for about three months, I went from my Area Studies office to a two-hour Lithuanian language class. Lithuanian is a very difficult language to learn, but I was able to become more proficient than otherwise by being the only student in the class. My wife also had a tutorial class and she did very well. Our language training became highly useful during the next three years.

Q: I would think that knowing our political system, the Baltic thing, so many politicians or money contributors or something, that this would be a natural target for somebody who made it back in the United States but his grandfather came out there would want to go,

Library of Congress

unlike nobody wants to go to Kyrgyzstan, but you would find yourself having to compete with political contributors.

SMITH: It is a problem, particularly with Estonia. There are a lot of Estonian Americans who are active in politics and who would like to go to Tallinn as the U.S. Ambassador. The advantage for the career people, at least until 2003, was that the ambassador's residences were not particularly attractive places to live. Now, that the Department is building nicer residences, all three Baltic States will soon have political ambassadors. I consider it almost criminal how the system of ambassadorships is corrupted by money and politics.

Q: Well, before we leave this, what was the apparatus that supported you back in Washington? Were the Baltic posts treated as a group?

SMITH: Yes. The Office of Nordic and Baltic Affairs had just been created, and we were backed up quite well by the front office in the European Bureau. The Deputy Assistant Secretary (DAS) for our region was Ron Asmus, who had come out of the Rand Corporation. He was a terrific guy; highly intelligent and very collegial. I had met him years earlier in Estonia, where he was doing research regarding the security of the Baltic States. He and Robert Nurick, who later took over the Carnegie Center in Moscow, were instrumental in generating U.S. support for the Baltic States becoming members of NATO.

Q: You went out as ambassador to Lithuania when?

SMITH: In July of 1997.

Q: How did your confirmation as ambassador to Lithuania go?

SMITH: It went more smoothly than I had expected. I gave a prepared statement, and then took a few easy questions from a couple of senators. I faced no long list of written questions from Senator Jesse Helms. This had become almost a normal part of ambassadorial hearings. In part, I had an easier time because I knew some of Senator

Library of Congress

Helms' staffers quite well, and had we had worked together on East European issues. Helms staff director was an intelligent, reasonable guy; much more so than the Senator. Also, at the time of the hearings, a son of mine worked for Senator Chuck Hagel, a member of the Senate Foreign Relations Committee. During the hearings, my son and my staffer friends sat behind the committee members who were conducting the confirmation hearing. I think that assured that I received favorable treatment.

That day's confirmation hearings were for two political appointees, as well as for two of us career officers. The senators made a big fuss over the political appointees, and their appointments were non-controversial on the Hill. In a nice touch, Senator Chris Dodd of the Committee apparently decided that somebody should say something on behalf of the career officers. He made a supportive statement about the dedication of the Foreign Service and of sacrifices made by career officers. He mentioned that political appointees were never sent to hardship posts. His remarks were appreciated by those of us from the career service. Within ten days, the Committee and the full Senate voted to approve all four nominees.

Q: Ok, well Lithuania in 1997, what was the situation there as you saw it?

SMITH: Lithuania was doing fairly well economically when I arrived. Of course, we all knew that in the 16th Century, Lithuania had once been a powerhouse in Central Europe and the people still felt proud of their heritage. Unfortunately, in the 20th Century, they had been independent from only 1919 to 1940, at which point the country was occupied by Stalin's Soviet Union. It formally regained its freedom in August 1991, when after the failed coups in Moscow, it was recognized by then President Boris Yeltsin as an independent country. During the 18th months before August 1991, however, Lithuanians and the people of the other two Baltic States carried out massive demonstrations in support of independence. In Lithuania, about 25 demonstrators were killed by Russian military forces during independence rallies, some of them crushed under tanks outside of the parliament

Library of Congress

building and at the Vilnius television tower. There were fewer deaths in Latvia and none in Estonia.

In any case, the country inherited many social and developmental problems from the communist system. For fifty years, the country's economy had been micromanaged from Moscow, with few direct contacts permitted with the West. After 1991, Lithuanians had to build a new country from scratch, with an entirely new political and economic system. It was a tough period, but most of the Baltic people were delighted to be independent. Lithuania was different from Estonia, however, in the sense that a lot of the old communist leadership remained in control of the government and major industries after independence.

Eight days after arrival in Vilnius, I presented my credentials as ambassador to President Algirdas Brazauskas who had been head of the Communist Party in the late 1980s. He had worked actively for Lithuanian independence starting about 1989, but he maintained close personal ties with many Russians and Russian companies. In many ways his manner of thinking about problems was still more communist than capitalist. In the early 1990s, Lithuania's development was slower than that of Estonia because the old leaders had simply stayed in charge of things. These people still have a lot of political influence in the country. Nevertheless, my wife and I were well-received by Lithuania's officials.

The press treated me well, at least at first. I do remember, however, coming out of the presidential palace after presenting my credentials and being confronted by the press corps. I thought I was prepared for every possible foreign policy question. Nevertheless, the press kept asking me what I planned to do about the "horrible problem at the embassy?" I racked my brain, and couldn't imagine what they were referring to. Whatever it was, it was all they wanted to talk about. It turned out that many Lithuanians saw our high rate of tourist visa refusals as a reconstruction of an Iron Curtain type barrier. In addition, many were convinced that our visa refusals were the result of the applicants not paying bribes to the embassy, since that was how things were done during the communist

Library of Congress

period. In any case, I had not been warned that the visa issue would be immediately raised or that it would plague me for the next three years.

Q: You then called on the president of the parliament.

SMITH: Yes, that was former President Vytautas Landsbergis. He also complained to me about the visa issue. At the time, our consular section was refusing about 30% of the visa applicants, a figure that stayed constant during my three-year stay in Lithuania (and that I believe is still the refusal level). We refused about one-third of the applicants, and yet about 30% of those who were granted tourist visas didn't return to Lithuania. The issue remains a sensitive one in all of the countries of Eastern Europe and the former Soviet Union. The Polish and Russian Governments complain repeatedly about it. They point to all the Latin Americans entering the U.S. illegally and ask why people who had been locked up behind the Iron Curtain were treated more harshly than Mexicans. It was not an easy question to answer as long as we did not enforce our southern border.

In any case, my wife and I were delighted to be in Lithuania. We were treated very well everywhere we went. We met a lot of Lithuanian-Americans who had moved back to Lithuania after independence. Among them were some very impressive people, whose families had suffered enormously under the communists. My experience in Estonia and the little bit of exposure to Latvia, had made me somewhat cynical about Americans of Baltic background who claimed to have come to help build the new nations. In Lithuania's case, we became close to many very impressive Lithuanian-Americans, who were working in the Defense Ministry, the Education Ministry and later in the president's office. Some of these "new immigrants" spent a lot of their own wealth trying to help Lithuania and many of them eventually played a prominent role in finance and business.

My predecessor had traveled very little around the country during his tour, and Lithuanians were delighted when we made a point of traveling outside of Vilnius. My predecessor had not been happy in Lithuania and was not a popular figure, in contrast to our first U.S.

Library of Congress

ambassador after independence. In some ways, my predecessor's unpopularity made my job easier.

I determined to travel throughout the country right away, and to grant press interviews wherever we went. Even though there are a lot of protocol requirements that have to be accomplished early on in the capital city, my wife and I set up a fairly ambitious travel program throughout the country. We went to all of the major cities and towns in our first six months, visiting the larger cities two or three times in order to get to know them well. In each city or town, we met with the press, with city officials, chambers of commerce and U.S. Peace Corps volunteers. There were about 300 Peace Corps volunteers in the country at the time. There was also a large USAID mission; a substantial sized one for that part of the world. The Defense Department was helping with military assistance and we became acquainted with some highly dedicated and talented U.S. military officers. All U.S. Government personnel, including the military, assistance people, intelligence officers and the Peace Corps, came under my supervision. We encountered only a few "problem cases." where we had organizational conflicts. On the whole, there were a lot of dedicated Americans in Lithuania, and most of them were anxious to help the country make a successful transition to a market-oriented democracy.

Q: Dealing with several matters, first, who was your consular officer and how did you deal with the visa problem?

SMITH: The visa problem plagued me during my entire tour. As much as the consul and I tried, we never were able to resolve the issue to the satisfaction of the Lithuanians. Debra was an excellent consular officer and I greatly respected her. She knew consular law and was a good administrator. She was a single mother, and yet worked long hours. She was under enormous strain as a result of the work load and frequent personal attacks against her in the local media. I tried to support her through interviews with the press, but some journalists repeatedly hammered at her because of our visa policies. I became angry with

Library of Congress

the unfairness of the press, but could do little about it except publicly express my support for her work.

Q: Who was she?

SMITH: Deborah Hein. She is now the consul in Hungary. Her tenure in Vilnius was very wearing on her. I think she had a tougher job than I did. She spoke excellent Lithuanian and she had the loyalty of her Lithuanian staff. I finally convinced the largest newspaper in the country, *Lietuvos Rytas*, to interview the two of us together on visa policy and it helped a little. During the interview, however, Deborah made the “mistake” of answering honestly the fact that under the law, one is considered to be an intending immigrant unless the person can prove otherwise. In other words, the applicant was obliged to prove that he/she was not going to become an immigrant. It would have been better if she hadn't said it that directly, but she was a very honest person. There was some backlash over that question, but on the whole, the interview helped. There were pictures of her and me on the front page of the newspaper. We tried all kinds of ways to explain to the Lithuanians that the problem was a result of people lying about their intentions to return. It was a difficult issue to deal with. Deborah's successor faced the same problem. The Department finally expanded the number of FSNs working in the consulate, and enlarged the physical area of the consular section in order to improve conditions for the embassy staff and for the applicants.

The work of the embassy had grown three times faster than had been projected when it opened. The embassy in Vilnius had started out being designated a Special Embassy Post, which was a term used for smaller embassies that were exempt from some Departmental requirements. Nevertheless, we had the same level of work as a mid-sized embassy by the mid-1990s, particularly when you included USAID, two military offices (one for assistance and one for intelligence) and the Peace Corps. Of course, we had a CIA section. The head of that section was a bit of a problem for me for the first year, but with personnel changes, the office became an effective partner.

Library of Congress

Returning to the consular problem, my wife used to like to go out and practice her Lithuanian on the street. She became friends with a woman who worked in a little kiosk selling newspapers and sweets about a mile from our house. My wife even went to the woman's home and met her children and grandchildren. Later, this woman signed up for a tourist trip to the United States. Not surprisingly, the woman was denied a visa by the consul, because she didn't believe that the woman was a bona fide non-immigrant. My wife became very indignant about the denial, since she knew how attached the woman was to her family in Lithuania. She wanted me to persuade the consul to change her mind. I finally agreed with my wife and I went and had a talk with the consul who caved in and issued a visa to the woman. Lo and behold, the woman did not return, but stayed in the U.S. working for a family. It was a good lesson for both my wife and I.

There were other lessons that I had to learn. Early in my tour, I second-guessed the political officer and DCM who wrote a cable predicting the outcome of the December 1997 presidential elections. Because Valdas Adamkus, one of the two candidates, and a Lithuanian-American, had trailed so far behind the leader in the first round of the presidential race, I was convinced that he was going to lose in the end. Well, our political officer and DCM thought otherwise. I was so sure of my judgment, that I made them change the embassy's cable to Washington predicting the outcome of presidential race. It turned out that I was totally wrong. Adamkus won, to my great surprise and embarrassment, but delight. It was a good lesson to have learned early on. The political officer and DCM knew the political situation very well, and I made a stupid mistake in trying to second guess them, particularly when I was new to the country. My first DCM was a good political thinker and an accomplished linguist, but he had no interest in management. His lack of management skills caused some morale problems in the embassy, and I had to involve myself in some issues that would normally not land on the ambassador's desk.

Q: Who was the DCM?

Library of Congress

SMITH: John Stepanchuk. John is a brilliant guy in many ways; he speaks eight languages. But he was not at all a manager. I faced a revolt by people who didn't want him to write their efficiency reports, since he had not followed their work closely. Almost two years later, he was replaced by an officer who was a terrific administrative officer, but had no interest in political and economic stuff. So, it was kind of interesting dealing with different personality types. The embassy had a lot of capable Americans and Lithuanian employees. There were the inevitable personality conflicts. The admin officer had a personality that grated on some of the American and Lithuanian staff. Even though she cared deeply for the people in the embassy, her personality was too brash for the naturally shy Lithuanians. Even though she was successful at getting the staff training opportunities in Europe and the U.S., and helped improve their salary levels, she was very unpopular right to the end of her tour there. I found it a sad situation. I took some heat for defending her, but I could clearly see the good things that she was doing on their behalf. I could never make her into a warm, fuzzy personality, but I still respect her for her talent and good intentions.

We spent a lot of time working on issues related to NATO and EU membership for Lithuania, although we were most involved in preparing the country for closer ties with NATO. This was one of the most interesting and rewarding parts of the job.

Q: How stood the Lithuanian contact in NATO when you arrived there?

SMITH: Like the other two Baltic countries, they were anxious to be members of the Alliance. The country's Chief of Defense was a former U.S. Army colonel and he was effective at building ties with NATO officials in Brussels and at the Pentagon in Washington. I personally thought it would be more difficult to get Lithuania into NATO than it turned out to have been. I thought it was going to be a stretch to get them in within the next 10 years. I was surprised at how smoothly it went. The Lithuanian-American Chief of Defense deserves much of the credit. The Lithuanians recognized early on that they had to create a military force that could credibly assist the Alliance. As a result, Lithuania

Library of Congress

was far ahead of the other two countries when it came to military preparedness. It was not only because they were the largest Baltic country, but the leadership put the financial and human resources into making their military attractive to NATO. It was an especially high priority for the younger generation of Lithuanian leaders. Several of the Lithuanian-American officers effectively used their old contacts in the Pentagon to secure surplus military equipment. They were able to explain better to their counterparts in the Pentagon why it was important to support Lithuania. They did a terrific job. In part, the Lithuanian military's success helped Estonia and Latvia become NATO members early than had been expected. It was due to their quick success in building a modern military force.

Q: A Soviet style military is not a NATO style military.

SMITH: In 1991, the three Baltic States inherited the remnants of indigenous Soviet forces. Therefore, the leadership in all three Baltic States had to build a military from scratch. The first task was to replace Soviet-trained military officers and reduce the number of officer slots, and to break the old Soviet military culture where conscripts and non-coms were treated badly. The U.S. had sent military trainers and advisors to all three Baltic States by 1993. Some U.S. personnel were there on long assignments, while others came in as part of two-week training teams.

We sent promising young officers and non-commissioned personnel to the service academies in the U.S. We sent others to specialized training at U.S. bases in Europe and in the U.S. so that they could see first hand how a modern military force operated. The British were also helpful and very good at training. They set up an effective system to train noncommissioned officers. In the Soviet/Russian military, a soldier was either an officer or cannon fodder. The British had pioneered the practice of giving responsibility and authority to non-commissioned officers. I believe that we adopted our system from the British. In any case, the goal in the Baltic States was to develop a large core of non-commissioned military personnel capable of taking the initiative and of leading under fire. Between the U.S. and the Brits, I think we did a very good job of developing a Western military culture

Library of Congress

and of purging their forces of Soviet-era thinking. One difficult issue in military reform was the problem of eliminating the Soviet practice of corruption in procurement, promotions and benefits. Corruption is a major problem in today's Russian military, and it is not easy to root it out after so many years of practice

Q: But they were also, as you say, essentially they weren't just picking up Soviet military organization, they were starting anew.

SMITH: The new military leaders were building from the ground up. That's why it was such an advantage for Lithuania to have a corps of really good people who had served successfully in the U.S. armed forces. In Lithuania, these officers stayed out of politics. Most of these officers had been born in Lithuania and left in 1945-46. I still maintain contact with several of these officers, even though they are no longer in the Lithuanian armed forces. One American was the first to be granted the rank of general in Lithuania's defense forces. He was particularly successful in forcing out the old Soviet trained officers who maintained strong political support from the country's old communist leaders. In the summer of 1999, I participated in a Partnership for Peace exercise under NATO auspices. At the end of the exercise, I followed the Presidents of Poland, Estonia, Latvia and Lithuania in addressing 11,000 NATO, Polish and Baltic troops regarding regional security. I remember asking myself why the soldiers would want to listen to me in the hot sun after four other speeches. They politely listened to me, but I should have scrapped the speech.

Q: Did Lithuania have a draft?

SMITH: They had a draft. Not everybody of course went in at the same time. University students were deferred. They did not need to take in all of the draft age males, so they instituted a lottery system, similar to the one we had in the U.S before 1980. As in the U.S., conscription in Lithuania was a way of socially integrating people from different ethnic and economic groups into society. The conscripts began to think of themselves as

Library of Congress

Lithuanians (or Latvians or Estonians in those two countries). Before I left Lithuania, all military conscripts were given an extensive briefing on the Holocaust, and the killing by Germans and their Lithuanian supporters of over 200,000 Jews within just a few weeks of the start of the war.

Q: The Baltic States contributed an awful lot to the furthering of the Holocaust. I mean, Baltic guards were infamous at a lot of these concentration camps.

SMITH: Yes, some were collaborators, but a few brave people put their own lives on the line to save Jews. We worked with the Justice Department to try to get some of the Lithuanian killers who had successfully immigrated to the U.S. in the late 1940s extradited back to Lithuania and brought to trial. The problem was that by the time they were extradited to Lithuania for trial, they were generally quite old and in poor health. Of course, those charged with holocaust crimes often exaggerated their health problems to avoid trial. We had to push very hard to get the Lithuanians to really publicize the fact that their own people had collaborated in war crimes. It was more of a problem in Lithuania than it was in Latvia and Estonia because that's where most of the Jews had lived. Before 1940, Vilnius had been a vibrant, almost majority Jewish city. The Litvaks (Jews from Lithuania) are an important part of Jewish history. Many prominent Americans and Europeans have ancestors who came from Vilnius or from villages in Lithuania. The Holocaust museum in Washington has a two story room dedicated to those murdered in Eiskes, one small village in southeast Lithuania. Everyone in the town was killed in 1945. My wife and I visited the town on two occasions and we saw no remaining sign that Jews once composed the entire town's population.

Q: Had many Jews returned? Was there any Jewish community there?

SMITH: There was an active Jewish community, but like most Jewish communities around the world, they were divided into competing groups. Even though the remaining community was small, different Jewish groups would have nothing to do with other groups. That made

Library of Congress

the Embassy's work somewhat harder. There were at least two rabbis living abroad and one in Vilnius who claimed to be the chief rabbi of Lithuania. We had to find a way to work with all of them. There was a young rabbi from the U.S. who set up a soup kitchen for holocaust survivors and a kindergarten for young people, but he was never accepted by the majority of Lithuanian Jews. I thought that he was great guy. I used to join him at the annual menorah lighting ceremony every year. Often the prime minister and the president would participate. The U.S. was active in trying to help holocaust survivors or the ancestors of Lithuanian Jews regain their property. We had limited success with that issue. Nevertheless, our pressure resulted in all military conscripts receiving education on the holocaust in Lithuania. Books were put into the schools regarding the holocaust, and at my suggestion, the president organized a commission to examine the Nazi and Communist period crimes. After the commission was started in Lithuania, Latvia and Estonia established similar groups under their presidents. It was easier for the Baltic people to deal with Holocaust issues, if the crimes of the Soviet era were also examined.

Q: How about the school system? Were they picking this up too?

SMITH: Holocaust education was not part of the general curriculum when I arrived, but it gradually became part of the curriculum in the universities. It's worth keeping in mind that not all the people who fought the Soviet Union were fascist or were anti-Semitic, in spite of Soviet propaganda to the contrary. A lot of people were just defending their homeland from Soviet imperialism. Many had naively believed Adolf Hitler when he said that he was going to give the Baltic States their independence if they fought the Soviet Union. The Soviet takeover of the Baltic States occurred in 1940, following the signing of the Molotov-Ribbentrop Treaty. As I mentioned earlier, the official Russian position today is that the Baltic States voluntarily joined the Soviet Union in 1940. It is an outrage that the West does not challenge Moscow on this. It allows many Russians to stay in denial regarding the Soviet past, and promotes the myth in Russia that the Baltic States benefited from being part of the Soviet Union.

Library of Congress

Q: I assume there was a sizeable Russian minority in Lithuania?

SMITH: No, there are large Russian minorities in Estonia and Latvia. Lithuania did not suffer from as large an influx of Russian workers as Latvia and Estonia did during the Soviet period. In 1991, about 9% of people living in Lithuania were ethnic Russians. In Latvia and Estonia, the percentages were almost 40%. The largest minority in Lithuania were Poles. Poland and Lithuania have a complicated history of conflict and friendship. The Polish presence goes back centuries, but a large influx of Poles took place in the interim period between WW I and WW II. Therefore, Lithuania's most vexing problem after independence was with Polish Lithuanians, not Russian Lithuanians. Lithuania does have a common border west with the Russian enclave of Kaliningrad. Because Russians, Poles and Belarusians were such small percentages in 1991, it was not a political problem for the Lithuanians to automatically grant everyone citizenship. So citizenship issues did not come up between Lithuania and Russia. In Estonia and Latvia, however, citizenship posed political difficulties for the ethnic Latvians and Estonians because the numbers were much larger. In addition, there had been sizeable Soviet military and intelligence forces (relatively speaking) in Estonia and Latvia. There are various theories as to why the Soviets did not send as many Russians to live in Lithuania, but I'm not sure that I accept any of the standard explanations. In any case, the low number of ethnic Russians was an advantage for Lithuania after independence.

Q: How did they deal with this Kaliningrad, this Russian enclave sitting down on the Baltic?

SMITH: Kaliningrad was a fact of life for Lithuania and for Poland. From time to time, nationalistic Russian parliamentarians in Moscow would pass resolutions stating that the west coast of Lithuania was Russian territory. These types of resolutions were not only supported by nuts like Zhirinovsky, but also by some "moderates" in the Duma. It was a problem, but Lithuanians were determined not react to the more extreme statements out of Moscow, and instead try to build the best relations possible with Russia. Right after independence, Lithuania agreed to allow Kaliningraders to visit Lithuania without visas.

Library of Congress

A few Lithuanian companies tried to set up business in Kaliningrad, but most failed. Of course, many people on both sides of the border engaged in smuggling of alcohol and gasoline. Kaliningrad was in many ways an economic and social “black hole.” In the previous 50 years it was the home of the Russian Baltic Fleet. After the collapse of the Soviet Union, much of the fleet started rusting away, and many of the best and brightest began moving to continental Russia. The area was in pretty bad shape. Today it has the highest AIDS rate in Europe and rampant poverty. About one million Russians replaced about an equal number of Germans who had been killed or expelled in 1945. Most the beautiful old Baltic buildings that were built over hundreds of years ago were destroyed in war or dynamited later by the Soviets. They wanted to leave nothing that would attract a return of the German population. I have to give the Lithuanians a lot of credit for reaching out to the people and leadership of Kaliningrad.

Many Lithuanian officials cultivated ties with Kaliningrad Duma members. There were some enlightened people in the Kaliningrad Duma who wanted to create free trade zones and develop economic ties with Europe. But the leadership in Moscow feared that by developing close ties to their non-Russian neighbors, Kaliningrad would want to become autonomous or even independent. Since the break up of the Soviet Union, Moscow has stymied several attempts by Kaliningrad to develop closer economic ties with Europe. The collapse of the Russian ruble in August of 1998 brought significant hardship to Kaliningrad. At one point, the enclave's stocks of food and medicine were below levels needed for two weeks. It was a difficult situation for people living there, in part because Moscow had no interest in helping them out. The Lithuanian Government, which was not in great economic shape itself, donated over \$2.5 million in food and medical assistance to Kaliningrad. They sent in truck loads of food and medicine and Kaliningraders were able to get through the crises.

Q: In a way were you sensing an attitude in a lot of Lithuanians that, give it time and that enclave will probably be included in our place?

Library of Congress

SMITH: No. I think there's a feeling that someday Kaliningrad may develop economically and serve as a useful bridge to Russia itself. Vilnius wanted to see the region become less of a haven for smugglers and a source of HIV/AIDS. I don't think they have any illusions about it ever becoming part of Lithuania, or even becoming independent. Russia never gives up territory. Russian will generally do anything to avoid giving up territory, accounting for the country's many unsettled disputes with countries all along its borders.

Russians are more willing than most countries to maintain unsettled borders. There are still no border agreements with Estonia and Latvia, let alone with Japan and almost all of the Central Asian states. The mistaken view in Moscow is that this uncertainty regarding their neighbors borders would give Russia political leverage. In the mid to late 1990s, Moscow believed that not signing border agreements with the Baltic States would help keep them out of the EU and NATO. This has been a tactic that Moscow has used to try to keep other countries out of NATO and the EU. Fortunately, the EU and NATO recognized early on the objective of Moscow's border policy, and they went ahead with integrating these countries into European institutions. I still don't think that Moscow recognizes the failure of its border policies. Territory is more of a psychological issue with Russians than it is in most other countries.

Q: What was the Peace Corps doing there?

SMITH: The Peace Corps was involved in three main areas; English teaching, environmental cleanup and encouraging small business formation. Some volunteers helped form associations of small entrepreneurs and others of larger business groups. They had some success in this area, but the benefits were as much political as economic. Peace Corps volunteers made a lot of friends for the United States and they themselves benefited greatly from the experience. I have a son who is a Peace Corps volunteer right now, so I know that while their accomplishments on the scene are generally fairly modest, both sides do benefit from their relationships and experiences. The Peace Corps has now

Library of Congress

left Lithuania, as has USAID. Both groups left Lithuanians with a better feeling about the United States.

Q: Did you see that Lithuania was looking at how things are in the world today and setting up its own sort of specialization like in the computer business or some sort of trade or something like that? Something on which it could concentrate?

SMITH: Because of the legacy of the Soviet era, Lithuania had an excess of energy coming from its two nuclear power plants. They had hoped to export excess power to Poland and Germany. That never worked out because of opposition from the power industry and coal miners in those two countries. In any case, they have a broad based economy now, with a balance between industry, services and agriculture; very similar to Poland. Twenty five percent of the population lives off agriculture, which is high for a modern state. Eventually, most farmers will leave the land and take industrial and service jobs in the cities.

Lithuania has worked hard to encourage foreign investment, particularly in the services and consumer product industries. Tourism has developed rapidly. A lot of hotels have been built by foreign companies. Much of the small manufacturing sector produces for the EU market, particularly television and electronic equipment, furniture and linen textiles. Some companies have done well developing computer software for larger U.S. and European firms. A couple of U.S. companies set up small software workshops in Kaunas, because of the skilled graduates from the technical university there. The U.S. executives were very pleased with the quality of work that they we're getting out of the programmers in Kaunas. Even though the economy is still too focused on agriculture, the country is developing rapidlas are the other two Baltic States.

Q: Were they duplicating the French and the Germans of their special agricultural policy?

SMITH: No, they couldn't afford to do that. There was always pressure from the farmers to provide EU-type price supports, but the country couldn't afford it. Price supports and

Library of Congress

subsidies are generally greater in wealthier countries, such as the EU, Japan, Norway and the United States. Some agriculture supports have come with EU membership. The booming construction industry absorbed many people who left farming. The construction industry is a big one. You see a lot of people who come into the Vilnius area during the week, and then they go back to the villages on the weekend. Presumably their wife and maybe some of the children are working the farm. Lithuanian agriculture was not highly profitable and was not usually a full time occupation for the men. Right now, Lithuania's economy is growing at about seven percent a year. Nevertheless, problems inherited from the Soviet era, such as corruption, still plague the country. Once Lithuania is a member of the EU, many well-trained young people will leave for better jobs in the West. Immigration can turn into a real problem for the poor countries in the EU.

The hope is that joining the EU will bring more governmental and business transparency. I believe that it will help in some areas, but not in others. And this is where I think the economic ties with Russia can be advantageous and disadvantageous. A lot of money flows in from Russia, but business there operates in a very nontransparent manner. Russian business has generally reinforced the corrupt practices that traditionally operated in the country. I just returned from a trip to Estonia, Latvia and Ukraine and it is obvious that their energy industries are less transparent because of their connections with Russia.

Just by chance, I was in Poland on May 1st, 2005, when the country became a member of the EU. I felt lucky to have been there at that historic moment. After having lived in that part of the world during so much of the Soviet period, I felt that the Central Europeans now have a chance for a better future; one where they can become "normal" developed democracies. Some serious problems remain and it will take the Baltic States several decades to catch up to Western European development levels.

The most frustrating issue for me was corruption, particularly by those trying to stop Williams Company from investing in Lithuania. Williams eventually worked a deal with Yukos, a private Russian company, owned in large part by the young oligarch, Mikhail

Library of Congress

Khodorkovsky. Unfortunately, after the U.S. business shakeout from the Enron collapse of 2001, any company that was doing energy training, and that included Williams, suffered financially. Williams was barely able to survive as a company. To do so, they had to sell all of their assets overseas, including their assets in Lithuania. They sold out to Yukos, that by then had become the most transparent Russian energy company. By late 2004, however, the Putin Government took steps to take over the company and split its assets up among a new set of Kremlin-approved oligarchs. Mikhail Khodorkovsky and several of his associates were thrown in prison and the company effectively destroyed. After I retired, I met Khodorkovsky on several occasions, both in Washington and in Moscow. He was quite an interesting and impressive young Russian.

As ambassador, I worked closely with several other American companies, and helped get an American mobile phone company reimbursed for \$8 million that they had been defrauded out of by their Lithuanian partner. We came very close to convincing Intel to construct a microchip plant in Kaunas. This would have been an enormous economic coup for Lithuania. With Lukoil paying money under the table to politicians and others to try to kill the Williams deal, nationalistic feeling against American firms scared off Intel. The company is very secretive and worried about being criticized in Congress for "sending American jobs abroad." Intel representatives came to Lithuania twice, and each time refused to meet with the prime minister or president. Instead, I met with them. As a sign of their serious interest in Lithuania, however, they brought in a site selection team from the Far East, and found a piece of property north of Kaunas that was suitable for a chip factory. Unfortunately, the drumbeat of nationalistic opposition to Williams scared off Intel. It was real tragedy for Lithuanian. Intel factories are sought after by almost every country in the world.

Today, Lithuanians are reluctant to talk about their failure to reassure Intel or other foreign investors. There were other companies that we successfully helped, such as the Mars confectionary company. I had to intervene on their behalf so that they could buy land to build a large pet food plant near Klaipeda. Their first attempt to buy land for a factory site

Library of Congress

was blocked by local politicians who wanted to have the area privatized to them for a token amount. Mars supplied product to much of western Russia and to all the Baltic States. It was a lot of fun promoting American companies. Before getting involved, however, I always made sure that they were legitimate firms. I often traveled around the country with the FSN commercial officer. He was a capable Lithuanian and good at promoting American investment. We would usually start off by me giving the local people a political message about the U.S. Then my Lithuanian FSN would inform local business leaders about how his office could help promote contacts with American companies. We were mildly successful. The William's investment, however, was the largest foreign investment in Lithuania, and Williams had been attracted to the country by a Canadian firm. Without Embassy support they would have never invested in the country.

Q: Was there a pro-business culture in Lithuania?

SMITH: Yes, but not as much as in Hungary or the Czech Republic. The educated class recognized that they would not develop without large amounts of Western investment. As in every other country, there were local interests that did not want to share the country's assets or to face Western competition. In a country like Lithuania, where a lot of the old nomenclature remained influential, some entrenched interests were able to stop some foreign investment from entering the country. For instance, the privatization of the country's main port at Klaipeda was not conducted in a transparent manner and it was handed over to a powerful local "businessman" who had good Soviet-era contacts, rather than a U.S.-Dutch consortium. The winner was the country's richest guy and a close personal friend of President Brazauskas. Many of us, including some Lithuanian economists, questioned the fairness of the tender. At the time, the winner was giving money to every one of the political groups in the country. The current prime minister was president when I presented my credentials. He had earlier arranged to have a four million dollar hotel privatized to his mistress for a fraction of its real value.

Library of Congress

Another frustrating case involved the interest of Duke Energy, from North Carolina in making a substantial investment in Lithuania. Duke is a very good company and it was interested in setting up power lines to carry excess electricity from Lithuania to Poland. It would have been a big money earner for Lithuania and good for eastern Poland, where they lacked sufficient electricity. However, when the Duke people were in a private meeting at the home of the wealthy owner of the Klaipeda port, there was an offer made by the Lithuanian to secure the power line contract in return for a bribe. Of course, the Lithuanian industrialist did not make the offer personally; he had his assistant do it while he was in the other room. Under the proposed agreement, Duke would put \$20 million into a bank account in the Turks and Caicos Islands. The Duke quickly rejected the offer and returned to Vilnius. They flew back to the U.S. the next day. The Embassy was able to secure a copy of the draft contract. I had our embassy check out the account in the Turks and Caicos, and found that the account really belonged to LUKOIL, the Russian oil company then in negotiations with Williams. So there again came a corruption tie with a Russian energy company.

Unfortunately, a lot of European companies will come in and pay the bribes, the French especially, but the Germans also. I saw evidence of this in Estonia and Lithuania. Although U.S. companies are not always the cleanest in the world, they are constrained by the U.S. Foreign Corrupt Practices Act. I was impressed that Williams distributed copies of the Act when they entered the bidding in Lithuania. Yet, even today many Lithuanians charge that Williams (and I) must have been engaged in corruption because of Williams' success in defeating LUKOIL in negotiations. There are some who still charge that I, backed by the U.S. Government, coerced Lithuania into awarding the contract to Williams. It is sad to hear these old charges brought up by people who should know better. Even the American trained President, Valdas Adamkus, eventually withdrew his support for the deal (after it was signed) and joined the chores of those charging that the Williams agreement had been "forced" on Lithuania. In fact, Williams only signed the deal because the President personally asked them to. When he called them, they were preparing to leave the country

Library of Congress

without signing with the Lithuanian Government. His cowardly reaction to nationalistic criticism was disheartening to me. I had worked damn hard, month after month to bring the deal between Williams and the Lithuanian Government together. The President could never tell me what alternative Lithuania had. No other Western company wanted to buy Lithuania's facilities, since they would have to rely on crude oil from Russia.

Q: What about relations with Poland?

SMITH: Relations with Poland were really dicey the first two years after independence, because there were a lot of hard feelings toward the Poles over their takeover of large parts of Lithuania in 1919, including the former capital city of Kaunas. Many villages in Lithuania were populated in large part by ethnic Poles, and a large area of northeast Poland had many towns with a majority of ethnic Lithuanians. There was anger on both sides of the border over the territorial changes of 1919, and over those imposed by the Soviet Union in 1944. Within a few years, however, Poles and Lithuanians quickly realized that they needed allies if they were going to confront any threat from Russia. By 1995, Polish-Lithuanian relations begin to improve and by the time I arrived in 1997, they had established a close relationship. In some ways, the Poles adopted Lithuania, not as a protectorate, but as a country that they would help get into NATO. Polish relations were very useful to Lithuanian aspirations to become EU and NATO members. A joint Polish-Lithuanian military battalion was established and units from both countries trained together. Units from Lithuania joined the Poles in international peace keeping activities. Many Lithuanian political leaders spoke Polish. For example, Lithuanian President Landsbergis spoke fluent Polish. Today the Lithuanian Foreign Minister speaks excellent Polish.

Q: How about with Belarus? Was Belarus seen as sort of the cat's paw of the Russians or what?

Library of Congress

SMITH: Most Lithuanians were very concerned about the direction of events in Belarus and of the size of Russian forces stationed there. On the other hand, Lithuanians were able to understand the situation in Belarus much better than those of us from the West. They understood that Russians wanted to control Belarus, if not to incorporate the country into a greater Russia. In the late 1990s, Russia's view of Belarus was similar to the one toward Ukraine. The people of both countries were seen in Russia as part of their same cultural and ethnic group. But Belarus President Lukashenko realizes that unification with Russia without him as the federation president would mean the loss of his own influence. For several years, he actually aspired to be president of a "greater Russia." Belarus is really Europe's odd man out. The European Union just announced a "new neighbor policy" with about 20 countries on the borders, and they've excluded Belarus from being part of the program.

The Lithuanians want good relations, but they know they have to keep Lukashenko at arm's length. They hope that popular support for integration with the West will come by encouraging a lot of Belarusians to travel to Lithuania and other European countries. The Poles also stay very well informed about the situation in Belarus. Warsaw opposed the European Union's policy of excluding Belarus from the "new neighbor policy" because they feared that it would isolate the progressive elements in Belarus. The problem is that we are dealing with a Lukashenko who has his political opponents killed. He is a very, very nasty character. About a year and a half before I became ambassador to Lithuania, I attended an international conference in Minsk and gave a talk about European security at the Belarus State University. One of the students in the audience was Lukashenko's son. Like most communist audiences, they are trained to be polite, but passive. They're taught not to challenge speakers and to say what they really think. It was a very kind of bizarre trip. During the two-day conference, the youngish head of the Belarusian Foreign Policy Association struck me as quite open and pro-Western. He obviously generated opposition in the Lukashenko Government and he mysteriously died in a nighttime car "accident."

Library of Congress

It was the classic method used by the Belarus KGB to get rid of “problem people.” The “problem” left a young wife and two children.

The country was still very Soviet in most ways. Going across the Lithuania-Belarus border is like going into the old Soviet Union. You have at least four places where they check your passport before you free to leave the border area. Many Belarusians have succeeded in taking refuge in Lithuania. On one of my trips to Minsk, I met the present foreign minister of Belarus. I remember one night him telling me that his goal in life was to become ambassador to Lithuania. He had been ambassador to the United States, and came across as a very urbane, western-type person. I don't understand how he succeeded in becoming foreign minister in that situation. The Poles have a program to bring Belarusians over as Fulbright-type scholars, and they also bring Belarusians to Poland to participate in seminars on various development issues. The Poles avoid telling the Belarusians how to develop their country, but instead explain how they instituted reforms, including the mistakes made. It is a much better than what we use. We tend to lecture people too much. It is more difficult for the Russians to force Belarus to integrate, since a growing number of Belarusians now like being independent. And yet, even today, over 50% of Belarusians and Ukrainians think they're the same nationality as Russians. But nationality and citizenship is different in that part of the world. Once you have been part of an independent country, it's difficult to accept foreign control. I believe that time is on the side of those in Belarus who want an independent democracy. We will have to wait and see how things develop. We need to keep in mind that Belarus is one of the poorest countries in Europe and it borders much wealthier countries on its western side

Q: Lithuania does have a port and all, is it much of a Baltic, I'm thinking shipping.

SMITH: Yes. The port of Klaipeda is a major port for goods transiting to and from Russia. A sizeable amount of U.S. food imports going to Russia are landed at Klaipeda. Frozen chicken legs from the U.S. were popular in Russia. An American company built a large frozen goods warehouse in Klaipeda just for those chickens. For the last few years, the

Library of Congress

Russians have called them “Bush legs.” Rolled and fabricated Russian steel products passed through the port of Klaipeda on their way to the United States. .

Q: Is there a Baltic feeling as a separate thing, or you feel the states are kind of at the time you were there each kind of doing its own thing?

SMITH: To some extent they were still holding together in the 1990s because they knew that a unified approach would improve their chances of membership in NATO and the EU. In dealings with the Russians, the Baltic States had enough similar interests to want to stay together. In the pre-independence period you had the famous human chain, where people linked hands all the way along the Baltic coast to appeal for independence. It had the desired political effect in Europe and in Russia. Now that these countries are in both the EU and NATO. As a result, we will find the development of the three countries diverging. They will want to be treated more as individual countries rather than as a bloc. Everyone in the U.S. and Europe starts off by saying that each Baltic state is very different from the other. In the next sentence they lump all three states together. I'm certainly guilty of this. Estonians feel weaker ties to the other Baltic ties than do Latvia and Lithuania.

There's a bit of arrogance in the attitude of some Estonians. They believe that they are more sophisticated and closer to European culture than the others. There is a tendency by Estonians to consider themselves Nordics, rather than Baltic. Former Estonian Foreign Minister Tom Ilves caused some wounded feelings in Latvia and Lithuania when he said, “We're really not Baltics, we are Nordics.” On the whole, the three Baltic States still work well together. Their foreign ministers meet about three or four times a year, the prime ministers get together on a regular basis as do the economy, industry, agricultural and interior ministers. The EU is helping build the “via Baltica” roadway which will better link the three countries. At present, there is no train service between the major capitals. You have to go to Moscow to go from one Baltic capital to the other by train. I've even taken the train from Moscow to the Baltics and I had to go directly to Riga. New issues will arise as they become more integrated into the EU. The Estonians are less interested in agricultural

Library of Congress

issues; they're more focused on monetary union. The Latvians are somewhere in the middle, but maritime issues are more important to them.

Moscow sees the Latvians as the weak link in the Baltic chain, and they put much more political pressure on Latvia than they do on the others. The Estonians just tell the Russians to go to hell and get away with it. The Lithuanians have more latitude, since they have a smaller ethnic Russian population and are less important to Russia except as a corridor to move people and goods from Kaliningrad to the mainland. And so the Lithuanians have a somewhat more leverage with Moscow. When Lithuania was entering the EU, the Russians demanded sovereignty over a corridor running between Belarus and Kaliningrad. Of course the Lithuanians said no to this grab for their sovereign territory. Eventually, a special sealed train was agreed to that would shuttle Russians, including military personnel, between Kaliningrad and Belarus. The shocking thing to me was that the EU was willing to grant Russia control over Lithuanian territory. Only Lithuania's strong objections prevented it.

Q: You were there from '97 to 2000. Was the attitude wait till we get into the EU and NATO and then this is really going to keep us out of the Russian claws?

SMITH: To some extent.. I was in Estonia and Latvia a week before they became members of the EU, and just after they became members of NATO. There was a feeling of relief in those countries; a feeling that they now have hard security through Article Five of the NATO Charter, and soft security through being members of the EU. It does provide them more security against Russian pressure than they would have otherwise, but perhaps not as much as they might think it does. Right now Russia is not in a mood to try to push aggressively against the Baltic States except through the threat to withhold energy exports if Russian control over key energy facilities is not allowed. Other than energy, Moscow doesn't have any way of really forcing its will on the Baltic States. Russia continues to pressure Latvia and Estonia on ethnic minority issues. Moscow repeatedly claims that the human rights of the ethnic Russians are being violated. This is primarily

Library of Congress

an issue of domestic politics in Russia, but it does keep suspicion high regarding Russian intentions in the region. The claims are more important to the people in Russia than it is to the ethnic Russians in the Baltic States. I've even had prominent ethnic Russians in Latvia tell me that the problems are exaggerated by Moscow, but that pressure from the Kremlin is useful to gain more privileges in the Baltic States. They were clearly in a privileged position before the collapse of the Soviet Union and many have a hard time dealing with the fact that they now have to compete for jobs, education and apartments with Latvians and Estonians. Most ethnic Russians in the Baltic States are proud to be the first (and maybe last) Euro-Russians.

Q: I imagine they certainly would feel better off than if they were back in the Russian embrace.

SMITH: They could go back and live in Russia anytime they want. But they don't want to. I talked to a Russian in Latvia recently, actually just a few weeks ago. He said that when he goes to Russia they treat him like he's not really Russian and they warned him about trying to appear better than them. He is uncomfortable there. He more Baltic than Russian now

Q: How did you find dealing with the Lithuanian government?

SMITH: On the whole, the U.S. image in the Baltic States is higher than in almost any other region of the world. Obviously support for the U.S. has weakened since the start of the Iraq War. East Europeans continue to view the U.S. as their strongest guarantee against Russian imperialism. We were the country that refused to recognize their incorporation into the Soviet Union, even though many European countries did. We helped the Baltic States maintain embassies in Washington for 50 years. They are grateful that the U.S. was the only large Western democracy that supported their independence from the Soviet Union. For that reason, EU membership does not provide them with sufficient military security. They don't believe that the Europeans would really support them if the Russians started putting them under military pressure. I'm not convinced that most

Library of Congress

Europeans would sacrifice soldiers for Baltic independence. Some of the Nordics might try and help. But the French and the Germans would do nothing. The Balts are well aware of this, and for that reason they still view the United States as their major security guarantor. The Balts and the other new EU and NATO members are going to bring a fresh approach to the issues being debated in the EU and in NATO. This will have a positive impact on both institutions. . Q: Were you getting any comments about efforts are going on while you were there about the French trying to create a European force as opposed to NATO or not?

SMITH: Not much. The focus of the Baltic States was on NATO. They viewed the proposed European force as a distraction to the crucial role of NATO. Because they were anxious to join the EU, they didn't dare say what they really thought about a European defense force. For instance, the European assistance program in the Baltic States was so bureaucratic and so heavily loaded with high-priced consultants, that it was a waste of money in the 1990s. But the Balts were afraid of criticizing it because they were afraid that this would be seen as ungrateful and would delay them getting into the EU. They're going to be speaking with a lot more frankness now than they did before.

Q: How did you find the old Lithuanian embassy? I always thought of we kept these embassies open for 50 years, you think sort of geriatric type of staffing. I mean, by the time you were there.

SMITH: There were real embassies in Washington. By the mid-1990s, the Baltic Governments sent young, talented people to Washington as ambassadors. The Lithuanian ambassador who was in Washington while I was in Vilnius became a good friend and collaborator. We were often on the phone trying to get our governments to support on one policy or another. He was an outstanding young diplomat. Unfortunately, he just passed away. But I worked very close with the Lithuanian Foreign Ministry in Vilnius. There were newspapers and individuals in Lithuania who criticized me for supporting American companies, but some of them were being paid under the table by LUKOIL. Others were

Library of Congress

just nationalistic and they had an exaggerated view of the value of the country's energy assets. On the whole, I never really felt much personal hostility on the part of Lithuanians. I took some heat over our visa policies, but that couldn't be helped.

Q: Before we started this last time, I mentioned, how did you find sort of the communications revolution?

SMITH: It helped to be able to send classified and unclassified e-mails from my office, although the system often down. On the communications side, I had it much better than my predecessors. With seven hours time difference between Vilnius and Washington communicating was a little more complicated than they were when communicating inside of Washington. Ron Asmus, the Deputy Assistant Secretary (DAS) that I reported to, was a political appointee. He had come out of the think tank world, specifically the Rand Corporation. He was very supportive of what I was doing and that helped very much. He was an early supporter of NATO enlargement. He helped the work of all the ambassadors in the region by holding regional meetings at least every six months. He would fly to one of the Nordic or Baltic capitals and give us an update on the thinking in Washington and we ambassadors were able to learn from each other regarding how to improve our embassy's performance. Asmus was, and is, a very innovative guy when it comes to formulating and executing foreign policy. His support in Washington for our work was crucial.

Q: I know you have to go. Did you get into trying to explain the Monica Lewinsky thing? This must have been an embarrassing time.

SMITH: It was somewhat embarrassing, but Europeans didn't take it as seriously as did Americans. They assumed that all of the rich and powerful behaved the way Clinton did. The French ambassador asked me why Americans were getting so upset at the details of Clinton's personal life. The Monica Lewinsky affair was an American event. It didn't get that much press play in Lithuania. People weren't interested in scandal in the U.S. They don't expect their leaders to be squeaky clean on issues of sex.

Library of Congress

Q: Well you left there in 2000. What did you do then?

SMITH: A few weeks before I left, I was approached by the chief of the Williams negotiating team. He knew that I was going to retire and was planning to take up a second career. At the time, I had not decided what I wanted to do after the Foreign Service. I was considering going to go work for a Washington think tank. The Williams rep suggested that I think about working for his company. I told him that I wanted to get back to the U.S. and look around before deciding on anything. At first, working for Williams was not that interesting to me. As a result of my conversation with Williams, and because of conflict of interest rules, I immediately told the DCM that I was at least thinking about Williams' offer, and therefore, he would have to take over any work with Williams. He advised me to send a cable to the legal division in the State Department reporting that I was giving consideration to an approach from Williams. During my last month in Lithuania, I had nothing to do with the Williams project in Lithuania. I told Williams that I wanted to go back to the U.S. and take the State Department's employee transition course. I wanted to look into the whole issue of job transition, and needed time to decide what I wanted to do.

While I was in the transition course, several of the lecturers encouraged me to work for Williams for a year and to see how it worked out. Williams was interested in me helping them develop projects in other countries in the world where I've had previous experience, such as Latin America and Eastern Europe and in utilizing my diplomatic background in advising the company on how to approach foreign governments interested in attracting international investment in the energy sector. At the time, Williams was interested in becoming more active in developing oil and gas pipeline projects outside the U.S. After three months back in the U.S. and two months after retiring from the State Department, I decided to try my hand at working in the private sector. Under the conflict of interest rules, or the so-called "cooling off period," I was prohibited for one year from advocating for Williams within the executive branch of the Federal Government or with the Government of Lithuania.

Library of Congress

These restrictions did not deter Williams from hiring me, and they immediately started me off looking at some of their projects or proposed projects in Latin America. One of the proposed ventures was in Ecuador, a country I had lived in 30 years before. My Latin American background and Spanish language skill helped me evaluate projects in both countries. I also became involved in a project in Jordan, and helped arrange connections in Poland for a proposed pipeline project. It was extremely interesting work and the people from Williams treated me as a full member of the company's staff, even though I was only a consultant. It was a very valuable two-year experience.

Unfortunately, during the U.S. business turn down of 2002, Williams was adversely affected by the collapse of the Enron Corporation and a bad decision to financially back a communications company that Williams had spun off a year before. Suddenly, the company's stock went from \$34 a share to \$.86 and they immediately sold everything overseas and much of their best assets in the U.S. just to survive. I could see the hand writing on the wall, and resigned in late 2002, to take up full time work at the Center for Strategic and International Studies (CSIS). Williams had given me an office downtown in Washington above the Army/Navy Club in their Washington office. I met with the company's CEO in Tulsa, Oklahoma several times. Actually, Williams treated me better in many ways than I'd ever been treated as a State Department employee, including my time as ambassador. In any case, I was fortunate to have been offered a position at CSIS, where I have worked ever since late 2002. I am glad to have been able to work in government, a large corporation and at a non-profit research center. There is certainly life after the Foreign Service. I would recommend that all retiring Foreign Service Officers try and have a second career. It helps put in perspective their government experience and it is a small, but important opportunity to demonstrate to other work sectors that our international experience is relevant to their work.

End of interview